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ABSTRACT

In an effort to evaluate the effectiveness of the Bureau of Indian Affairs' (BIA) Industrial and Commercial Development Program (ICDP), 3 firms for each year during the period 1965-71 were selected (by largest employer, smallest employer of over 10 but not less than 25, and random sample) for case study examination. Data relating to landmark legislation, development of employment programs for Indians, establishment of reservation-located industry, and tribal and individual income and ownership were derived from BIA reports, tribal and Federal government records, periodicals, books, unpublished governmental documents, other unpublished studies and reports, and two questionnaires administered to tribal officials upon whose reservations industries were located and the employees working in reservation-located firms. Research methods included historical, comparative, empirical, analytical, and statistical treatment. Results indicated: income opportunities for reservation Indians had vastly improved in the years studied and ICDP income had substantially increased; the BIA/ICDP had been a strong factor in promoting the establishment of industrial/commercial entities on reservations; many of the reservation firms were labor intensive and until recently were non-Indian owned; lack of investment capital had been a major deterrent in developing individually and tribally owned firms; Indian employee work acculturation was improving; the rate of ICDP closures had been higher than the national average; there were still some intratribal conflicts impeding progress. (JC)

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DEVELOPING INDIAN EMPLOYMENT OPPORTUNITIES

KEITH L. FAY

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To my wife, without whose love, encouragement, and personal efforts this book would not have been possible, I dedicate this work.

FOREWORD

Since the founding of this nation, the federal government has looked upon the Indian people as a population to be treated differently from the other citizens of this great land. Government policies have ranged from the constitutional premise of treating the Indian tribes as foreign nations to the paternalistic approach of the early part of this century. Meanwhile, the Indian citizen has wanted primarily two things: the right to retain his cultural heritage, and the opportunity to provide himself and his family a life free of poverty.

This book offers one the opportunity to see some of the many and varied policies and practices used by the federal government in attempting to assist the Indian people in reaching their second goal -- living at an economic standard above the subsistence level. Many of the past policies may not have been looked upon as being detrimental to the Indian's welfare; however, few directly attacked the problem of unemployment on the reservation.

Here the reader can see the tremendous efforts put forth by both federal and tribal governments in their attempts to alleviate the perennial problem of high unemployment existing on many of the Indian reservations in our nation. Further, one has the opportunity to find that there is a large number of potentially productive citizens residing on our Indian reservations. They only need an employment opportunity to fulfill that potential.

The current industrial and commercial development program has been in existence since the early 60's. Since its inception, the program has emphasized the creation of employment opportunities for reservation residents. The very great need for further pursuit of programs which offer the Indian people opportunities to improve their economic status can readily be seen when the true impact of reservation employment is studied.

Each reservation can be looked upon as an economic unit, just as any city or county might be. Thus, there is justification for viewing the lack of employment thereon as being similar to that of areas such as Appalachia; however, there is one significant difference -- the Indian culture.

Where employment in factories or small businesses may be acceptable to one group or tribe of Indians, this method of earning a livelihood may be frowned upon by another group. Therefore, it has become necessary for tribal and Bureau officials to enter into a close relationship in their efforts to improve reservation living conditions, and still allow the Indian people to preserve their way of life and cultural heritage.

While industrial development has been successful on many reservations, it has not been completely successful on others. Still the Indian residents have a right to self-determination. Using this wisely can lead to improved living conditions on their lands.

Industrial development is one method of providing increased wage-earning opportunities. The author has struck a key chord when he states, "a job and a pay check are two essentials to a man's self-sufficiency."

These are additional factors that are essential to Indian people if they expect to attain complete self-determination, such as social, cultural and educational.

Dan McDonald

Dan McDonald
Director
Office, Tribal Resources Development

Bureau of Indian Affairs' Statement as to content

This publication by Dr. Keith L. Fay, though published by the Bureau of Indian Affairs, does not have the Bureau's full endorsement as to the accuracy of all statements and studies.

The Bureau does feel that Dr. Fay's research was well conceived in that it explores the historical nature of economic development, some of the experiences of tribal effort and his own feelings as to what might be done to bring about Indian selection of his cultural choice as well as his economic attainments within that selection process.

TABLE OF CONTENTS

page

LIST OF TABLES xi

LIST OF FIGURES xiii

Chapter

1. INTRODUCTION 1

SCOPE AND LIMITATIONS OF STUDY 2

RESEARCH METHODS 2

VALUE AND IMPORTANCE OF STUDY. 3

DATA USED 10

DEFINITIONS AND ABBREVIATIONS. 11

HISTORICAL REVIEW OF PROBLEM 13

DEVELOPMENT OF THE BUREAU 13

2. INDIAN ECONOMIC DEVELOPMENT PROGRAMS 18

LANDMARK LEGISLATION 18

General Allotment Act 19

Snyder Act 21

Indian Reorganization Act 23

Navajo-Hopi Rehabilitation Act 27

Termination Resolution 32

A Program for Indian Citizens 34

SUMMARY 36

3. EMPLOYMENT PROGRAMS, 1961-1971 37

ADULT VOCATIONAL TRAINING PROGRAM 38

VOLUNTARY RELOCATION 40

7

Chapter page
PUBLIC WORKS PROJECTS 41
INDUSTRIAL DEVELOPMENT 43
SUMMARY 47
4. PROBLEMS SURROUNDING ESTABLISHMENT OF INDUSTRY, 1961-1971 48
BUREAU ORGANIZATION 48
COORDINATION OF DEVELOPMENT 50
RESERVATION LOCATIONS 52
FINANCIAL PROBLEMS 54
Area Redevelopment Act of 1961 56
Office of Economic Opportunity 56
Economic Development Administration. 57
Small Business Administration 58
Indian Business Development Fund 60
PROBLEMS OF PROGRAM 62
Internal Funding 62
Indian Labor Force Problems 63
SUMMARY 65
5. STUDY OF INDUSTRIES ESTABLISHED 66
STUDY OF INDUSTRIES DEVELOPED, 1961-1971 69
Case Data 69
Questionnaire Development and Use 69
Developing and Refining Questionnaire 69
Conducting Questionnaire Survey 70
Using the Data 71
1961-1965 DEVELOPMENTS 71

Chapter Page
1966-1971 DEVELOPMENTS 78
PRIVATELY OWNED FACILITIES 84
TRIBALLY OWNED FACILITIES 85
QUESTIONNAIRE ANALYSIS 88
SUMMARY 89
6. INDUSTRIAL DEVELOPMENT EMPLOYMENT 91
STATUS OF INDIAN EMPLOYMENT. 91
NATION-WIDE RESERVATION EMPLOYMENT 99
ICDP Employment 104
1966 Employment 107
1967-1971 Employment 108
RESERVATION IMPACT. 114
Fort Peck Tribal Industries 114
Lakota Products, Inc. 115
Training in ICDP Enterprises. 115
Indian Managers 116
Wages and Welfare 117
Reservation Population 121
SUMMARY 122
7. INCOME AND OWNERSHIP 124
INCOME PATTERNS 124
Problems of Income Data 126
TRIBAL INCOME 127
Business Leasing Income 127
Business Operation Income 129

Chapter page

INDIVIDUAL INCOME 131

Presentation of Data 132

Earnings, 1963-1965 132

Earnings, 1966-1971 134

RESERVATION IMPACT 138

Impact on Housing 138

Welfare Impact 140

Impact on Education 142

Expenditure Patterns 143

INDIAN OWNERSHIP AND/OR MANAGEMENT 144

Tribally Owned Enterprises 144

Individual Ownership 145

Indian Management Opportunities 145

SUMMARY 146

8. CONCLUSIONS AND RECOMMENDATIONS 148

CONCLUSIONS 148

RECOMMENDATIONS 154

APPENDIX A. SUMMARY OF THE "INDIAN RESOURCES DEVELOPMENT ACT" . . . 160

APPENDIX B. COMPANY HISTORIES 164

1. Parker Textile Company 166

2. Burnell & Company, Inc. 168

3. Wright-McGill Company 170

4. Firesteel Lumber Company, Inc. 174

5. Fairchild Semi-Conductor Division 177

Chapter page
6. Iowa Meat Products, Inc. 177
7. Suntex Veneer Corporation 178
8. Amphenol Corporation 180
9. Omni-Lab, Incorporated 182
10. Fort Peck Tribal Industries 183
11. Chata Construction Enterprises 184
12. Big Horn Carpet Mills, Inc. 188
13. General Dynamics Corporation 196
14. Barron Container Corporation 198
15. Warm Springs Assembly Plant 199
16. Penn-Mor Manufacturing Corporation 201
17. Turtle Mountain Industries 202
18. Fort Belknap Builders 204
APPENDIX C. SUMMARY OF CLOSURES 212
APPENDIX D. SUMMARY OF RESPONSES (QUESTIONNAIRES) 222
APPENDIX E. MAN-YEARS OF EMPLOYMENT INCREASES 229
BIBLIOGRAPHY 230
INDEX (Authors and Subjects). 236

LIST OF TABLES

Table Page

3-1. Participants and Costs, Bureau of Indian Affairs Employment Assistance Programs (1966-1971) 39

4-1. Source of Funds for Capital Financing of Selected Firms 55

5-1. Businesses Established in Indian Labor Force Areas with ICDP Assistance (1961-1971) 67

6-1. Indian Labor Force and Employment (1963) 93

6-2. Indian Reservation Labor Force and Unemployment (December 1965) 95

6-3. Indian Reservation Labor Force and Unemployment (September 1966) 97

6-4. Indian Reservation Labor Force and Unemployment (December 1967) 98

6-5. Indian Employment and Earnings by Source, 1969-1972 100

6-6. Employment in ICDP Enterprises, 1963-1965 105

6-7. Employment in ICDP Established Enterprises, (1963-1965) by Industry 106

6-8. Employment in ICDP Established Enterprises 109

6-9. Indian Employment in ICDP Enterprises by Year and State 110

6-10. Indian Labor Force and Employment by State in Selected Years 111

6-11. General Assistance Funds Expended (by States for 1969-1970) 118

6-12. Federal and Tribal Investment Cost Per Man-Year Indian Employment 120

6-13. Reservation Population by Age Groups (1972) 121

Table Page

7-1. Comparative Wage Rates, Various Occupations, Pine Ridge Reservation and U.S. North Central Region, 1976 (in Dollars) 125

7-2. 1969 Income from Business Leases by State 128

7-3. Tribal Business Income by State (1969) 130

7-4. Income Earned in ICDP Established Enterprises (1963-1965) by Industry 133

7-5. Income Earned in ICDP Established Enterprises (1966-1971) by Industry 135

7-6. Indian Earnings in ICDP Enterprises by State and Year (1966-1971) 137

7-7. Reservation Income, by Source - 1969 139

LIST OF FIGURES

Figure Page

3-1. Organization Chart for Division of Economic Development 45

4-1. Location of Reservations (Map) 53

6-1. Indian and Non-Indian Employment in ICDP Enterprises (1966-1971) 113

7-1. Lease and Earnings Income of Eight ICDP Establishments. 131

7-2. Income Earnings by Industry 136

Chapter 1

INTRODUCTION

The American Indian has long been looked upon as a second-class citizen, one whose way of life is vastly different from that of his non-Indian neighbors. His reservations have been a constant mystery to the unknowledgeable.

For many years (since 1819), various Federal programs have been introduced in an effort to make the American Indian reservations economically habitable. In some instances, these programs have been beneficial to the Indian people; in others, they have not. The major purpose of this study is to evaluate the economic impact that firms locating on or near Indian reservations--with assistance of the Bureau of Indian Affairs Industrial and Commercial Development Program--have had on employment, income, and entrepreneurship problems of Indian residents.

Since 1961, the Bureau has utilized industrial development specialists, located in the Central Office, Washington, D.C., or one of the Bureau's 11 Area Offices located throughout the United States, to assist tribes in development of industries in reservation[1] areas. These specialists are the persons through whom the Bureau administers the Industrial and Commercial Development Program (ICDP), which is used to attract industries to reservation locations, thus assisting tribes in alleviating chronic problems of unemployment, low income, and lack of Indian entrepreneurship on reservations.

Full evaluation requires an investigation into the economic improvements which are to be accrued by the Indians as a result of implementation of the the program.

Economic improvements are treated as supporting problems. They are:

1. Establishment of income-producing enterprises on reservations, the number, longevity, and types of industries established.
2. Total employment of Indians in industrial or commercial enterprises established on reservations through efforts of the ICDP.
3. Amount of income generated for Indians as a result of such developments. Income can be in

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[1] *Reservations are defined as those lands, whether tribally or Government-owned, specifically set aside for the use of Indians.*

the form of earnings from labor or from leasing of facilities to non-Indian entrepreneurs.

4. Number of Indians engaged in business endeavors as owners or managers.

SCOPE AND LIMITATIONS OF THE STUDY

Much of the importance and value of this study lies in the narrow scope which allows an in-depth evaluation of the problem. Therefore, the study is limited in several ways.

First, it is limited to the study of firms, either commercial or industrial, which have located in reservation areas with the assistance of the Branch of Industrial Development, Bureau of Indian Affairs.

Second, it is limited to an examination of only those Indian lands located in the lower forty-eight States of these United States and those industrial or commercial enterprises which now exist or were brought into existence during the period.

Since the Indians of the State of Oklahoma do not reside on lands considered by the Bureau to have reservation status, enterprises started there, either with or without the assistance of a Bureau program, are excluded.

Third, several enterprises whose existence can be traced directly to efforts of the Bureau program are studied in depth. Entities whose development resulted from the combined efforts of tribes and the Bureau are also studied, regardless of whether the business is Indian or non-Indian owned.

Lastly this study is limited to evaluating the economic improvements that have resulted from establishment of industrial or commercial enterprises on or in proximity to reservations.

RESEARCH METHODS

Historical, descriptive, comparative, empirical, analytical, and statistical methods have been used in the preparation of this book.

Historical development of the Bureau has been studied for the purpose of ascertaining the variety of legislative actions, political climates, and economic policies affecting the Bureau's attempts to improve living conditions of those Indians residing on the reservations of the United States. Study of the vast number of Government attitudes toward development of programs for improving economic conditions on the reservations helps to point up the problems of developing long-range programs that can be relied on by Indians and Government officials to be of sufficiently continuing length to allow successful implementation. Further it allows an opportunity to relate some of the current reservation economic conditions to past policies, programs, or procedures used to improve Indian living standards.

With case studies as the vehicle, the descriptive method has been used to present the basic nature of problems surrounding development of industrial and commercial enterprises in reservation areas. Comparative methods have been used to draw conclusions about the impact various types of industrial establishments have had on the problems of unemployment, low income, and lack of Indian entrepreneurship.

Empirical and analytical methods have been combined in studying the operations of the Bureau in developing enterprises on reservations. These methods have further been used in the study of specific firms and their operations.

Empirical and statistical methods have been combined to study the effects implementation of the Bureau's Industrial and Commercial Development Program has had on various reservation areas and the costs incurred by the Bureau in establishment of enterprises.

VALUE AND IMPORTANCE OF STUDY

A job and a pay check are two essential factors to a man's self-sufficiency in today's world;[2] yet, whole segments of the Indian population have had neither. Unemployment is the greatest problem confronting America's Indians today.[3]

While tribal leaders and personnel of the Bureau of Indian Affairs and other public agencies are spending a great deal of time and money on various strategies designed to help individual Indians get jobs, the unemployment rate continues to remain far above that of the rest of the Nation, reaching as high as 50 percent on some reservations.[4]

Many Indians have been offered an opportunity to become skilled technicians and craftsmen through the adult vocational education program operated by the Bureau. These Indians, with their specialized skills in vocations generally considered to be useful in today's world, may well find that there are no jobs to be found on or near their reservations.[5] For many people, the location of residence can be unimportant;[6] however, many Indians desire to live with their own people and preferably on their own reservation.[7]

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[2] *Henry W. Hough, Development of Indian Resources (Denver: World Press, Inc., 1967), p. 189.*

[3] *Ibid.*

[4] *William A. Brophy and Sophie D. Aberle, et al., The Indian, America's Unfinished Business (Norman, Oklahoma: University of Oklahoma Press, 1966), p. 68.*

Many Indian reservations cannot support the rapidly growing population.[8] In 1962, there were approximately 520,000 Indians under Bureau supervision, with 360,000 living on reservations. In 1970, there were 472,000 living on reservations.[9] Therefore, more use of the land for the greatest economic gain is needed. Industries and businesses are needed on many of the reservations to give diversification of employment opportunities to those Indians who desire to remain on the reservations and who have acquired a skill which cannot be applied to existing reservation opportunities. Hope for the reservation-dwelling Indians lies in the development of any economic potential existing on their lands. This should include natural (including recreational) and industrial resources.

A major difficulty is that many Indians are living in two worlds: That of tribal traditions and that of the modern "white man's world." The Indian may revere the former, but to earn a livelihood he has to participate in the latter. Many Indians resist the practice of leaving their own people and homeland to relocate in a city or town far away.[10] This creates the problem of developing job opportunities on the reservation.

In 1961, the stated aims of the Bureau were:

1. To create conditions under which the Indians will advance their social, economic, and political adjustment to achieve a status comparable to that of their non-Indian neighbors.

2. To encourage Indians and Indian tribes to assume an ever-increasing measure of self-sufficiency.

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[5] *Unless otherwise indicated, future references to location will be construed to include "on or near reservations or Indian lands."*

[6] *Hough, op. cit., p. 190.*

[7] *Ibid.*

[8] *Department of the Interior, "Justifications for Appropriations" (Washington: Bureau of Indian Affairs, 1962), p. 30 (Duplicated), and Bureau of Indian Affairs, "Census Report, 1970" (Washington: Bureau of Indian Affairs, 1970) (Duplicated).*

[9] *Ibid.*

[10] *Hough, op. cit.*

18

3. To terminate, at appropriate times, Federal supervision and services special to Indians.[11]

The ever-increasing demand for employment opportunities, rather than welfare grants, and the above-stated Bureau aims led to the 1961 task force on Indian affairs to determine what the objectives of the Federal Indian program should be.[12] This task force recognized the urgent need for a substantial program to promote industrial development when it stated:

> In recent years several industrial plants have been located on Indian reservations, often with such inducements as Bureau or tribal subsidies in the form of salaries, buildings, etc. Such programs have improved the economies of several tribes, have reduced the welfare burden, and have provided important vocational training . . . . In order to prepare a more effective industrial development operation the task force recommends.
>
> 1. That the Bureau of Indian Affairs budget for the branch of industrial development be increased and Civil Service grading of personnel be revised to make possible the employment of industrial development specialists.
>
> 2. That the Bureau assist the tribes in setting up programs designed to prepare Indian communities for employment in industrial establishments. Past experience has shown that the routine of industrial employment is foreign to many groups.
>
> 3. That the Bureau give consideration to the establishment of a reservation economic development advisory board. Because special technical experts will be required, it is suggested that the Secretary of the Interior work out a loan of these specialists. They would serve as consultants on a term not to exceed one year's time, with replacements staggered in order to maintain the continuity of the advisory group. Similar boards should also be established wherever possible at the reservation level.

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[11] *Bureau of Indian Affairs, "Indian Affairs Manual," Volume 1 (Washington: Bureau of Indian Affairs, 1960) (Duplicated), p. 1.*

[12] *W.W. Keeler, et al., A Program for Indian Citizens (Albuquerque: The Fund for the Republic, Inc., 1969), p. 5. This has become commonly known as the Task Force on Indian Affairs report to the Secretary of the Interior. Any future references will use the term "Task Force report."*

13

4. That tribes be encouraged to use judgment monies, or other incomes available to them, to establish industrial sites, and finance other activities designed to attract and hold industries. In such planning, Bureau technical assistance should be readily available and the Federal Government might also help by devices used in other economic development programs, such as accelerated depreciation on capital investment, small business loans, and provisions of facilities at low rentals. Some of these latter programs would require special legislation.[13]

In 1963, Secretary of the Interior Stewart Udall asked the Bureau of Indian Affairs to step up its efforts to attract industrial payrolls to Indian communities. At that time there were about 20 plants, employing a few hundred Indians, located on or near Indian lands.[14]

Need for industrial and commercial development continues to exist, and President Nixon reemphasized this continuing need when he delivered his message on Indian affairs to Congress on July 8, 1970. He said:

> The first Americans -- the Indians -- are the most deprived and most isolated minority group in our nation. On virtually every scale of measurement -- employment, income, education, health -- the condition of the Indian people ranks at the bottom.[15]

The President went on to emphasize the continued need for stressing the economic development program. He said:

> . . . economic development has also been stepped up. Of 195 commercial and industrial enterprises which have been established in Indian areas with BIA assistance, 71 have come into operation within the last two years. . . . . A number of these businesses are now owned by Indians and many others are managed by them . . . .[16]

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[13] *Ibid., pp. 18-19.*

[14] *Indian Record, Washington, D.C., April 1968. This is a monthly newspaper printed by the Bureau.*

[15] *U.S. , President, 1970- (Nixon), Message on Indian Affairs to Congress (Washington: White House Press Release, July 8, 1970), pp. 1-11.*

[16] *Ibid.*

Industrial development can be both beneficial and detrimental to an Indian tribe. There are some inherent problems that come with the development of an industry in reservation areas.

On November 1, 1970, Raymond Nakai--then tribal chairman of the Navajo Tribe--at the dedication of the Westward Recreational Vehicle manufacturing plant told a crowd of about 1,000 people that Navajos are compelled by lack of employment to move from an agrarian economy to commerce and industry. Said Nakai:

> We can solve our unemployment problems in no other way. The Navajo people are rooted to the soil and change comes slowly. There are some would-be leaders of the tribe calling for the banishment of industry from the reservation and a return to the life of a century ago! But, it would not solve the problems. There is not sufficient grazing land on the reservation to support the population so industry must be brought in.[17]

A short two weeks later, a new tribal chairman, Peter MacDonald, was elected. In his inaugural speech, MacDonald emphasized the need for individual entrepreneurship and said he would stress:

> . . . getting a yellow pages section of the telephone directory for Navajos. I want to see listings for food stores, filling stations, dry cleaning establishments, car dealers, movie theaters, clothing stores, Coca Cola bottling plants, barber shops, and motels owned by Navajos and employing Navajos.[18]

During his campaign for the tribal chairmanship, MacDonald pointed up some of the problems of drawing industry to the reservation. His predecessor, Nakai, had concentrated all his influence and prestige into drawing white man's industry onto the reservation, with notable success. In the period of his incumbency (most of the sixties), major industries had located on or near the reservation. Although hundreds of Navajos were employed, the unemployment rate stood near 65 percent.[19]

MacDonald came to the tribal chairmanship pledging that he would establish more Navajo-owned and Navajo-run businesses. He proclaimed:

> One hundred and fifty million dollars comes into the reservation a year. And it has created 8,000 to 10,000 jobs for our people. But the same amount in the white man's

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[17] *The Albuquerque Journal, November 1, 1970, p. 3.*

[18] *The Washington Post, February 14, 1971, p. B-1.*

[19] *The Christian Science Monitor, November 17, 1970.*

> economy of money in the outside would sustain 30,000 jobs. The money comes on the reservation but then drains away into Gallup, into off-reservation economies.[20]

The various problems discussed in the preceding paragraphs suggest that there has been a significant need for development of a balanced program that could be used to promote Indian job opportunities.

Following the 1961 recommendations for a program of industrial development, the Bureau has been granted increasingly larger appropriations for the purpose of assisting tribes in their efforts to attract outside industry to locate in sites on Indian lands, or for establishment of Indian-owned enterprises on the reservations.

During the decade 1961-1971, a total of $9,282,600 was appropriated for the purpose of promoting location of industrial plants, commercial endeavors, and tourist enterprises. In this same period, a total of 220 enterprises were developed with assistance of the Bureau. Of these industries, 21 are located in Alaska, six are not in operation at this time for one reason or another, four are seasonal, and one is experimental.[21]

The general objective of the economic development of the Bureau, simply stated, is to provide an economic base that will give Indian Americans the same employment opportunities enjoyed by other Americans, keeping in mind the ultimate goal--improving family and community life for individual Indians, at the same time preserving the best of his traditional culture. Every step of the way toward this objective must be taken in cooperation with the Indian people, whose freedom to work and live where they choose must be protected above everything else.[22]

Previous economic development policy for Indians often relied upon relocation of people in urban centers offering greater economic opportunity. However, the adverse effects of moving Indian workers and their families into an alien and hostile environment in many cases nullified the benefits of gainful employment.[23]

Recent policy has been to change the Bureau's former direction for the specific purpose of providing more jobs and higher income to Indians at home and, toward this purpose, to help Indian communities become as economically viable as human and natural resources will permit. The principal role has become: to help Indians help themselves, using methods to identify dominant trends in the national economy, and in consultation with Indian leadership, select those into which Indian resources can be channeled to earn the greatest dollar return through lease monies or earnings from operations. In either instance, employment of Indians is a prime consideration.

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[20] *Ibid.*

[21] *Bureau of Indian Affairs, "Employment in Industrial and Commercial Enterprises Established in Indian Labor Force Areas (with the Assistance of the Bureau of Indian Affairs)," an interagency unpublished report (Washington: Bureau of Indian Affairs, 1971)(Duplicated).*

[22] *Statement of George Hubley, Chief, Division of Industrial and Tourism Development, Bureau of Indian Affairs, during personal interview, November 8, 1971.*

[23] *Ibid.*

In the past, economic development of Indian country emphasized agricultural production and simple extraction of natural resources, such as mining and timber-cutting. During the sixties, the Bureau added a program for expansion of economic activity through promotion of tourist facilities, commercial and service businesses, as well as certain types of processing and manufacturing of new products for new markets, with strong emphasis on Indian ownership, control, and management.

Among all the factors that enter into the selection of a plant site, a pool of surplus trainable manpower is obviously essential. In today's competition for productive labor, the Indian population becomes a resource of prime importance in the effort to attract all kinds of commercial and industrial enterprises.

A decade ago, the potential for industrialization was severely limited in areas as isolated and remote as Indian areas. But in recent years, construction of new roads and airstrips, coupled with far-reaching advances in technology, has changed the picture dramatically. The vast distances that separate most Indian areas from the commercial and industrial centers of America are no longer insurmountable obstacles.

As of December 31, 1971, approximately four percent of the total Indian labor force of 117,687 was employed in plants or businesses established in reservation areas included in this book. These 4,658 Indians constituted seven percent of those working, on a full-time basis, in all fields of employment.[24]

The importance of this book includes three specific factors. First of these is the need to determine the benefits that can be received by the Indians in the form of employment opportunities, both direct and indirect, with establishment of an industrial or commercial enterprise.

The growing importance of an adequate earned income to provide for maintenance of a family at something above the bare subsistence level, without being required to leave the reservation, makes it necessary to determine the long-run income opportunities that accompany establishment of an industrial or commercial enterprise.

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[24] *Bureau of Indian Affairs, "Indian Population, Labor Force, Unemployment, and Underemployment, by Area: March 1971" (Washington: Statistics Division, Bureau of Indian Affairs, 1971) (Duplicated), pp. A23-A63.*

The continued high rate of unemployment on Indian reservations makes analysis of industrial and commercial development important in determining potential methods for easing the lack of employment opportunities.

Finally, this book includes an analysis of the costs incurred by the Bureau, and other Federal agencies, in establishing industrial or commercial endeavors on Indian lands. The investment of Federal funds in developing employment opportunities for the Indian must be analyzed to determine the costs for establishing businesses are balanced by long-range employment and income opportunities for the Indian.

With several Federal agencies involved in the funding operations, there is often a multiplicity of efforts, and the costs to the Government may well be far greater than the worth of the benefits involved. Some patterns of costs per job incurred by the Government in establishing various firms evolve from this study.

DATA USED

Much of the data used in this book has been gathered from official documents of the various Government agencies involved in administration of Indian affairs. These include Congressional hearings, as well as reports and statistics of the Department of the Interior, Department of Commerce, and Bureau of Indian Affairs.

Since the earliest days of this Nation, the Federal Government has been involved with the various Indian tribes. During the past 150 years, the major responsibility for administering to the problems of the Indian has been delegated to the Bureau of Indian Affairs. The Bureau, as with any other Federal agency, depends upon the Congress of the United States for funds and authority for specific actions. Therefore, from a review of statutes, hearings, and directives we may see the evolution of the role of the Federal Government and the Bureau, and the development of programs designed to enhance economic opportunities for Indians.

The status of the present program has been determined predominantly through the use of reports of the Bureau, tribes, Congressional committees, Department of Labor, Office of Economic Opportunity, and various other Governmental bodies.

A variety of other sources has been used in all phases of the study. These sources include periodicals, books, unpublished documents of various Governmental agencies, reports of learned societies interested in the welfare of the Indian, and many unpublished studies and reports from a number of other sources. Primary data have been gathered through use of questionnaires and personal contacts with individuals residing in areas where industries have been located. Each is appropriately footnoted in the book and is included in the bibliography.

A series of case histories of firms is used to reveal the problems of the period and methods used by the Bureau to attack these problems. The successes and failures are also depicted in the case studies.

During the period studied, some 114 firms started operation on Indian lands through implementation of the industrial and commercial development program of the Bureau. Thirty-five of these firms employed five or fewer Indians and 19 employed between six and nine Indians.

Since the basic premise of the program is to provide increased employment, it was determined that an analysis of the firms starting operations during the period should be based on the total number of Indians employed. The number of firms starting precluded making an analysis of each firm to determine the costs to the Federal Government, or the tribe, in order to provide increased employment and higher income. However, analysis of 18 firms selected from the total was determined to be a valid sample based on the judgment of the author.

Final selection of firms was made on the basis of the year established, total number of employees at year's end, and drawing three firms for each year for the period 1965-1971 from the following:

1. Largest employer.
2. Smallest employer of over 10 but fewer than 25.
3. By random sample, a firm whose number of Indian employees falls within one standard deviation of the mean established for the period.

Random selection was made on the basis of assigning a number to each firm employing the number of Indians within one standard deviation and drawing numbers to determine which firms would be analyzed.

In the year 1967, the random selection method was used to determine which of three firms employing 10 Indians would be selected as the small firm to be analyzed.

Category of the firm is indicated by (L) for the largest, (S) for smallest, and (M) for random selection. Names of the firms selected are:

1. Parker Textile Company, Parker, Arizona (M).
2. Burnell & Company, Inc., Mesita, New Mexico (S).
3. Wright-McGill Company, Rosebud, South Dakota (L).
4. Firesteel Lumber Company (Aspen Wood Products), Domingo, New Mexico (M).
5. Fairchild Semi-Conductor, Shiprock, New Mexico (L).
6. Omni-Lab, Inc., New Post, Wisconsin (S).
7. Amphenol Corporation, Hollywood, Florida (S).

8. Suntex Veneer Corporation, Spokane Reservation, Washington (M).
9. General Dynamics Corporation, Fort Defiance, Arizona (L).
10. Big Horn Carpet Mills, Inc., Crow, Montana (M).
11. Barron Container Corporation, Chandler, Arizona (L).
12. Iowa Meat Products, Inc., Winnebago, Nebraska (S).
13. Fort Peck Tribal Industries, Fort Peck, Montana (L).
14. Warm Springs Assembly Plant, Beaverton, Oregon (S).
15. Fort Belknap Builders, Fort Belknap, Montana (M).
16. Chata Construction Enterprise, Philadelphia, Mississippi (L).
17. Turtle Mountain Industries, Turtle Mountain, North Dakota (M).
18. Penn-Mor Manufacturing Company, Cottonwood, Arizona (S).

In addition to the study of case histories, two questionnaires were developed and used to gather data from tribal officials upon whose reservations industries were located, and from employees of the firms. Data gathered are used primarily to supplement information garnered through the study of official files and records, or to provide information which could not be found in those files.

Determining salaries paid, types of positions held by Indians, and opinions as to the value of employment would have been impossible had only case files been used. These data were collected primarily through the questionnaires. Design of the questionnaires and other factors surrounding their use are discussed in the chapters where the data are presented.

DEFINITIONS AND ABBREVIATIONS

For the convenience of the reader, the following definitions are presented:

Indian.	Any individual who is one-fourth or more of Indian blood and is included as a member of a tribe, or clan, recognized by the Federal Government.
Bureau.	When used alone, the Bureau of Indian Affairs.
BIA.	Bureau of Indian Affairs, Department of the Interior.
OEO.	Office of Economic Opportunity.
EDA.	Economic Development Administration, Department of Commerce.

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OJT.	On-the-job training.
ICDP.	Industrial and Commercial Development Program.
SBA.	Small Business Administration.
HUD.	Department of Housing and Urban Development.

Other abbreviations are used on a limited basis and are properly identified at the time of use.

HISTORICAL REVIEW OF PROBLEM

To provide a basis for further understanding of the Indian problem, one should review the ever-changing approach to the development of American Indian lands since the earliest days of the Federal Government's establishment of a Bureau specifically charged with the responsibility for dealing with the Indians. Before entering into any historical review of the nature of the Bureau's involvement in this area of Indian affairs, it is necessary to recognize that the constitutional basis for such involvement lies in Section 8 of Article 1, which confers on Congress the power "to regulate commerce with foreign nations, and among the several states, and with the Indian tribes." This has been interpreted as giving the Federal Government primary power over the Indians within the States. Those Indians to the west of the original 13 colonies often were dealt with as foreign nations.

DEVELOPMENT OF THE BUREAU

Early Period

Prior to the establishment of the Bureau in 1824, the control over Indian affairs had lain with Commissioners appointed by Congress, territorial governors, and in some instances the Treasury Department and the War Department.[25] The office of Superintendent of Indian Trade was set up in 1806.[26] The Superintendent was appointed by the President, and his duties were, among other things, ". . . to purchase and take charge of all things intended for trade with the Indian nations . . . and to transmit the same to such places as he shall be directed by the President.[27]

The office of Superintendent of Indian Trade was abolished by the Act of May 6, 1822. By Order of March 11, 1824,[28] Secretary of War Calhoun created the Bureau of Indian Affairs within the War Department. Placed at the head of this Bureau was Thomas L. McKenney, who had at one time been Superintendent of Indian Trade. The head of the Bureau of Indian Affairs was not denominated Commissioner until 1832. McKenney was directed, as a part of his duties, to administer the civilization fund which had been provided for in the Act of March 3, 1819.[29] This Act had established an annual appropriation of $10,000, which was to be used for ". . . introducing among them (the Indians) the habits and acts of civilization . . . "

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[25] *U.S. Department of the Interior, Federal Indian Law (Washington: Government Printing Office, 1958), pp. 216-217.*

[26] *2 Stat. 402 (1806).*

[27] *Ibid., Sec. 2.*

[28] *U.S. Congress, House, Document 146, 19th Cong., 1st Session, p. 6.*

The eight years between the establishment of the Bureau of Indian Affairs and the appointment of a Commissioner of Indian Affairs (1824-1832) appear to have been fraught with problems of management. In his personal memoirs, Henry R. Schoolcraft wrote:

> The derangements in the fiscal affairs are in the extreme. One would think that appropriations had been handled with a pitchfork. A correspondent writes: "For 1827 we were promised $48,000, and received $30,000. For 1828 we were promised $40,000 and received $25,000; and besides these promises, were all the expenditures authorized to be incurred, amounting to not less than $15,000. It is impossible this can continue." And the derangements are only in regard with the north. How the south and the west stand it is impossible to say. But there is a screw loose in the public machinery somewhere.[30]

By Act of July 9, 1832 (4 Stat. L, 564), Congress authorized the President to "appoint, by and with the advice and consent of the Senate a Commissioner of Indian Affairs, who shall, under the direction of the Secretary of War, and agreeable to such regulations as the President may, from time to time, prescribe, have the direction and management of all Indian affairs and of all matters arising out of Indian relations."

For the next 17 years, the Bureau remained under military control with only one major event of real significance seemingly to come from that era.

In 1834 the Act of June 30, 1834, was passed. This Act, which has since been considered the organic law of the Bureau of Indian Affairs,[31] was enacted specifically "to provide for organization of the department of Indian Affairs." This statute established some new agencies, abolished others, provided for employment of subagents, interpreters, and other employees, and the distribution of annuities and supplies. It was, in effect, a reorganization of the field force of the War Department having charge of Indian affairs,[32] and in no way altered the power of the Secretary of War or the Commissioner, or changed the status of the Bureau of Indian Affairs in the War Department.[33]

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[29] *3 Stat. 516 (1819).*

[30] *Henry R. Schoolcraft, Personal Memoirs, p. 319.*

[31] *Commissioner of Indian Affairs, Annual Report (Washington: Government Printing Office, 1932), p. 1.*

The Bureau came under civilian control through the provision of section 5 of the Act of March 3, 1849, which created the Home Department of Interior. Since that date, it has remained a part of the Department of the Interior. The Secretary of the Interior was empowered to exercise those supervisory powers over the Commissioner of Indian Affairs that had previously been exercised by the Secretary of War.[34]

First Fifty Years

Between 1849 and 1869, there was a constant fluctuation of responsibilities between the Department of the Interior and the War Department.[35] These fluctuations led to many cases of corruption, graft, and dishonesty of the Indian agents, and were believed to have been a contributing cause for some of the Indian wars of the period.[36] In 1869, in the hope of correcting some of these abuses, the Board of Indian Commissioners was created, to be appointed by and report to the President.[37] The Board was composed of not more than 10 "men eminent for intelligence and philanthropy, to serve without pecuniary compensation . . . and exercise joint control with the Secretary of Interior over the appropriations in that act."

By the Act of July 15, 1870[38] the Board was empowered" . . . to supervise all expenditures appropriated for the benefit of the Indians . . . and to inspect all goods purchased for the Indians . . ." Although this Board was completely independent of the Bureau, it studied and advised the Bureau on important questions of Indian policy.

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[32] *J.P. Kinney, A Continent Won - A Civilization Lost (Baltimore: The Johns Hopkins Press, 1937), p. 104.*

[33] *Laurence F. Schmeckebier, The Office of Indian Affairs, Its History, Activities, and Organization (Baltimore: The Johns Hopkins Press, 1927), p. 28.*

[34] *9 Stat. 395 (1849).*

[35] *Bureau of Municipal Research, Administration of the Indian Office. (Washington: Publication 65, 1915), p. 13.*

[36] *Schmeckebier, op. cit., pp. 47-48.*

[37] *R.S. sec. 2039, 25 U.S.C., derived from the Act of April 10, 1969, 16 Stat. 13 and 40.*

[38] *R.S. sec. 2039, 25 U.S.C. 21, derived from the Act of July 15, 1870, sec 3, 16 Stat. 335, 360.*

As early as 1876, Commissioner John Q. Smith recognized that the future prospects of the Indian were bleak unless steps were taken to teach the Indian a new way of life. In his annual report, he stated:

> . . . No new hunting grounds remain, and the civilization or utter destruction of the Indian is inevitable. The next twenty-five years are to determine the fate of a race. If they cannot be taught, and taught very soon, to accept the necessities of their situation and begin in earnest to provide for their own wants by labor in civilized pursuits they are destined to speedy extinction.[39]

Mr. Smith recognized that there was a need for changes in the legislation that existed. The laws governing the intercourse and trade with the Indians suffered some inadequacies. Specific reforms were needed in order to extend the laws of the United States and the jurisdiction of the United States courts over the Indians.[40] These reforms had been recommended for many years: The revision of the Intercourse Act of 1834[41] since 1853[42] and the Law and Order Reform Act since at least 1862.[43]

The need for reform in legislation which had been enacted in previous years continued to plague the various Commissioners of Indian Affairs. Efforts to use Indian lands as a means of providing Indians with a source of revenue were consistently frustrated by the laws and policies set forth by the Government.

In 1882 this problem manifested itself with the discovery of coal deposits on the Navajo Reservation in Arizona. The Commissioner of the time, Mr. Hiram Price, felt that the Indians could not be prevailed upon to move again, that the Government could not operate the mines, and that the Indians were not technically capable of doing the job; and if they were, they had no means of disposing of the coal, since:

[39] *Commissioner of Indian Affairs, Annual Report (Washington: 1876) p. VI.*

[40] *Ibid., p. VII.*

[41] *4 Stat. 729 (Act of June 30, 1834).*

[42] *Commissioner of Indian Affairs, Annual Report (Washington: 1853), p. 261-262.*

[43] *Commissioner of Indian Affairs, Annual Report (Washington: 1862), p. 12.*

> . . . under existing law there is no authority for permitting the severance and removal from an Indian reservation, for the purposes of sale or speculation, of any material attached to, or forming a part of the realty, such as timber, coal, or other materials.[44]

The need for the Indian to be able to use his lands for the purpose of producing money income which could be used to supplement the provisions being made available through the annual appropriations and disbursal of the Government was recognized by Commissioner Price. In his 1882 report, he recommended a system of leasing that would allow mining of the Arizona coal. A portion of his report stated:

> . . . that the Indian themselves would be greatly benefited not only by the example of industry set, but through the opportunity that would be afforded them to earn wages by their own labor.[45]

The establishment of a leasing system, as advocated, did not materialize for nearly 20 years and then only came after a change in the philosophy of the treatment of the Indian. For the most part, the Indian had not been treated as an individual; rather, he was treated as a member of a group. Only those Indians in tribes which had, either by an Act of Congress or by treaty, been authorized allotments of land in severalty held lands as individuals.

This brief review of the past reveals a need for a further understanding of the landmark legislation that resulted from the constantly changing attitude toward developing the nation's Indian reservations and the improvement of living conditions for the Indians residing thereon.

A full discussion of landmark legislation follows in Chapter 2.

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[44] *Commissioner of Indian Affairs, Annual Report (Washington: 1882), p. XLIX.*

[45] *Ibid., p. XLXX.*

Chapter 2

INDIAN ECONOMIC DEVELOPMENT PROGRAMS

This chapter is concerned with a review of landmark legislation, programs, and policies used by the Federal Government to improve the eocnomic conditions of the Indian.

It is essential to understand that the Bureau of Indian Affairs has been the Federal Government's direct contact with the Indian people of America since the Bureau was established by the Act of March 3, 1849. However, it is also essential to know that many of the policies or programs established by Congress have not been promoted by the Bureau.[1]

Although the basic policy in the 1870's was to place Indians on reservations, there was a feeling in the Bureau that the Indians should be required to work to eat--not be allowed a choice as to how miserably they might live in order to avoid work--and they should be required to practice the arts of industry.[2]

While forced acculturation was never made a policy for assisting Indians to assume a new way of life, the Indians had been placed on reservations. This placement was not accompanied with a program that would teach them how to pursue industrial endeavors.[3]

For a hundred years, a policy of civilizing the Indians had been proclaimed, but during all that time they had been pushed back from the developed parts of the country and had been denied a right upon which the American way of life was based--the right to private property.[4] There were, however, changes to be made in this policy which were to lead to significant legislation materially affecting programs designed to improve economic conditions on reservations.

LANDMARK LEGISLATION

Government policy toward economic assistance for Indians is embodied in countless treaties, judicial decisions, administrative regulations, and statutes. However, five such enactments constitute landmarks: The General Allotment Act of 1887, Snyder Act of 1921, Indian Reorganization Act of 1934, Navajo-Hopi Long Range Rehabilitation Act of 1950, and House Concurrent Resolution 108 of 1953. Although not a legislative Act in itself, the Secretary of the Interior's Task Force of 1961 presented "a program for Indian citizens" which was to provide a "road map" to guide the Bureau's future operations. It has become a landmark in setting Bureau policy toward establishing economic development programs for Indian people.[5]

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[1] *Laurence F.Schmeckebier, The Office of Indian Affairs, Its History, Activities and Organization (Baltimore: The Johns Hopkins Press, 1927), pp. 118-119.*

[2] *Commissioner of Indian Affairs, Annual Report (Washington: Government Printing Office, 1872), pp. 10-11.*

[3] *Schmeckebier, op. cit., p. 78.*

[4] *Ibid., pp. 78-79.*

These landmarks and their individual effect on Indian economic conditions are discussed in the following pages. Events leading to the passage of legislation or implementation of programs are presented when they are needed to clarify philosophy or problems of the times.

General Allotment Act

A definitive change in philosophy came with passage of the Act of February 8, 1887,[6] most often referred to as the General Allotment Act. This Act provided for individualizing Indian lands by authorizing the President to make allocations of reservation land to individuals, when in the opinion of the President the land was suitable for agricultural or grazing purposes. Land was to be allotted on the following basis: to heads of families, 160 acres; to single persons over 18 years of age and orphaned children under 18, 80 acres; and to other single persons under 18, forestry acres, with a double allotment when the land was good for only grazing purposes.[7]

Since many non-Indians had become "self-sufficient" with a plot of land (40 acres and a mule), why could not the Indian attain this same "self-sufficiency"? This agricultural philosophy was accompanied by the belief that private ownership of property would act as a stimulus to the Indian, as it did for the non-Indian.[8]

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[5] *Secretary of the Interior, Annual Report (Washington: Government Printing Office, 1962), p. 7.*

[6] *Stat. 388 (1887), sometimes referred to as the Dawes Act.*

[7] *This was ammended by the Act of February 28, 1891 (26 Stat. 794), to provide for an allotment of 80 acres of agricultural land and 160 acres of grazing land to each individual regardless of age or marital status. By the Act of June 25, 1910 (36 Stat. 839), the President was given authority to determine the size of allotment with a maximum limit of 80 acres of agricultural land and 160 acres of grazing lands. This Act also provided that in case any of the lands "have been or may be brought within any irrigation project," the area of the land should not exceed 40 acres.*

[8] *Commissioner of Indian Affairs, Annual Report (Washington: Government Printing Office, 1889), pp. 3-4.*

In addition to acquisition of land, the Indian also acquired, with his allotment, citizenship in the United States. As a citizen he was "endowed with all the civil and political privileges and subject to all the responsibilities and duties of any other citizen of the Republic." This established the policy of accepting the Indian as an equal member of the community, rather than considering him as an alien, dependent, or otherwise, which had been the basis of policy.

It was believed that through education and agriculture, civilization of the Indian would become an accomplished fact and would "finally enable the government to leave the Indian to stand alone."[9] However, individualization of land, where it did occur, did not, for the most part, achieve the results expected by its supporters.[10] Even though the Indian had indicated from earliest times, especially the Western Indian, his resistance to agriculture through his attitude that this was "degrading" work, non-Indians still did not recognize this as a major obstacle to the establishment of the Indian as an independent farmer.[11]

The Allotment Act had not provided for leasing of lands, since it had been contemplated that the Indian should be placed on the land and work it himself.[12] The fact that some of the allottees would not be physically capable of using their land, even if they were inclined to do so,[13] provided for the first breach of this policy. As the land was held in trust by the United States, the allottee was not able to make a valid lease.[14] This was remedied by the Act of February 28, 1891,[15] which provided that if by reason of age or other disability an allottee could not occupy the land personally, he could lease the land for a term not to exceed three years for farming or grazing purposes and ten years for mining under regulations prescribed by the Secretary of the Interior.

Most Indians receiving an allotment either leased their land to a non-Indian entrepreneur or, if they held patent in fee, sold the land rather then working it for themselves.[16] Thus, most Indians did not become independent farmers as had been hoped for by the framers of the General Allotment Act.[17]

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[9] *Commissioner of Indian Affairs,* Annual Report *(Washington: Government Printing Office, 1887), p. IX.*

[10] *Theodore W. Taylor,* The States and Their Indian Citizens *(Washington: Government Printing Office, 1972), p. 17.*

[11] *Ibid.*

[12] *24 Stat. 388 (1887).*

[13] *Schmeckebier, op. cit., p. 84.*

[14] *24 Stat. 388 (1887).*

[15] *26 Stat. 794 (1891).*

[16] *Taylor, op. cit., p. 225.*

Snyder Act

In the years that had intervened between passage of the General Allotment Act in 1887 and passage of the Act of November 2, 1921, most often referred to as the Snyder Act,[18] the Bureau had engaged in many activities designed to individualize the Indian and wean him away from traders.[19] Efforts were made to encourage development of the reservation natural resources rather than establishment of specific industrial endeavors.[20]

The Snyder Act, in addition to authorizing general activities of the Bureau, opened up a new era of policy for improving economic conditions. It specifically granted the right to use appropriated funds for the purpose of establishing industrial and commercial businesses on Indian lands. Many Bureau activities for the next few years resulted from the approach advocated in this legislation.

Passage of the Act was quickly followed by the institution of an industrial survey of all the reservations, based on a house-to-house canvass of Indian families.[21] The purpose was:

> . . . to ascertain their condition, needs,and resources, with the view to organizing the reservation service so that each family will make the best use of its resources . . .[22]

This survey was to be used "to establish for each reservation a definite program or policy which may be followed for such terms of years as will place the Indians on a self-supporting basis."[23]

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[17] *Taylor, op. cit., p. 17.*

[18] *42 Stat. 208 (1921).*

[19] *Commissioner of Indian Affairs, Annual Report (Washington: Government Printing office, 1922), p. 3.*

[20] *J.P. Kinney, A Continent Lost - A Civilization Won (Baltimore: The Johns Hopkins Press, 1937), pp. 285-295.*

[21] *Commissioner of Indian Affairs, 1922, op. cit., p. 7.*

[22] *Ibid., p. 11.*

[23] *Ibid.*

In 1926 the Institute for Government Research, at the invitation of the Department of the Interior, began a survey of the social and economic conditions of the Indians. Publication of this report in 1928 helped inaugurate a new era in the Indian Service.[24]

The Meriam Report specifically pinpointed some of the major problems facing the Indian people and made some very important recommendations for improvement of the Indian's opportunities to achieve a better standard of living on his own lands.

The opening paragraph of the Report stated:

> An overwhelming majority of the Indians are poor, and they are not adjusted to the economic and social system of the dominant white civilization.[25]

The survey of the economic status of the Indian included a full study of conditions, including income, property status, agricultural programs, forestry and irrigation problems, and the problems of labor.

Issuance of the Meriam Report spotlighted one major shortcoming: general neglect of the adult reservation Indian's economic and industrial education. Even more important, little if anything had been done to help the Indian find work that would pay a living wage on a permanent basis.[26]

The Meriam Report made an astute observation about the problem of instituting a long-range progam when it said:

> Even under the best of conditions it is doubtful whether a well-rounded program of economic advancement framed with due consideration of the natural resources of the reservation has anywhere been thoroughly tried out. The Indians often say that programs change with the superintendents. Under the poorest administration there is little evidence that anything which could be termed an economic program exists, and under the best administration only short-term programs are used.[27]

The report's positive recommendations, which have greatly influenced the policy of the Bureau of Indian Affairs since 1928, stressed the need for sustained and coordinated economic planning and the encouragement of

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[24] *Lewis Meriam and Associates, The Problems of Indian Administration (Baltimore: Institute for Government Research, Johns Hopkins Press, 1928), p. 3. Hereinafter referred to as the Meriam Report.*

[25] *Ibid., p. 3.*

[26] *Ibid., p. 14.*

[27] *Ibid.*

Indian use of Indian lands. These same recommendations had been made from time to time by various Commissioners, but little clear-cut action had ever been taken, except in the areas of agriculture and stock raising.[28]

Implementation of recommendations of the report introduced a new era of Indian policy. Charles J. Rhodes, who succeeded Charles H. Burke as Commissioner in July 1929, used the report as a basis for advocating new approaches to solving some of the problems that had plagued the Indians and the Indian administrators for over a century.

During his tenure as Commissioner, Rhodes advocated a joint venture to educate the Indian, with both State and Federal Government involvement. He further advocated that public lands be given to the Indians to enlarge the reservations that were too small to support their population.[29]

The policy of developing the Indian into a farmer or rancher, utilizing the land resource only, emphasized problems that had been perceived in the Meriam Report.[30] The thirties ushered in the great depression era. Accompanying the depression was a great drought which severely hit the Western States, where the majority of the Indians lived. These combined factors emphasized the economic plight of the Indians.

The problems of improving Indian economic conditions led to a complete change in philosophy and to passage of one of the most important pieces of legislation affecting Indians--the Indian Reorganization Act.

Indian Reorganization Act

The Act of June 18, 1934, titled "The Indian Reorganization Act (I.R.A.),"[31] in essence reversed the provisions of the Allotment (Dawes) Act of 1887. In fact, the I.R.A. specifically provided authority for the establishment of tribal organization, a loan fund for development of individual and tribal businesses, purchase of additional land, and extended the trust on Indian lands "until otherwise directed by Congress."

The preamble pointed toward a new approach to solving the economic problems of the Indians and is important to any study of economic improvement because of the basic objectives stated herein:

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[28] *Schmeckebier, op. cit., pp. 247-250.*

[29] *Commissioner of Indian Affairs, Annual Report (Washington: Government Printing Office, 1929), pp. 4-7. He reiterated his position in his 1930 report, pp. 7-13.*

[30] *Commissioner of Indian Affairs, Annual Report (Washington: Government Printing Office, 1933), p. 7.*

[31] *48 Stat. 984 (1934).*

> To conserve and develop Indian lands and resources; to extend to Indians the right to form business and other organizations; to establish a credit system for Indians; to grant certain rights of home rule to Indians; to provide for vocational education for Indians; and for other purposes.[32]

For the first time since the Snyder Act of 1921, an appropriation was made specifically for use in industrial development. Section 10 of the I.R.A. established the revolving loan fund, which was to be used ". . . for the purpose of promoting economic development of such tribes and their members."

This revolving fund provided a source of credit for Indian tribes and individuals from within the tribes desiring to establish an industrial or commercial enterprise.

The Act authorized an allocation of $250,000 during any fiscal year to defray the expenses of forming an Indian chartered corporation and also provided for up to $250,000 to be appropriated out of Treasury funds for the purpose of defraying costs for tuition and expenses of Indians attending vocational and trade schools. The funds were to be used on a loan basis. These provisos eased some of the problems that had faced the Indians and the Bureau when attempts were made to engage in activities other than agricultural production or the leasing of land to outside entrepreneurs, such as the oil and cattlemen of the Southwest.

Between the passage of the Act and its implementation, it was necessary for the Bureau to establish, under the supervision of the Secretary of the Interior, rules and regulations for administering the fund. Congress had left this obligation to the Secretary when the bill was enacted. The rules were laid down, but not until 1936 were they implemented.

In his annual report, the Commissioner stated:

> Plans for use of the funds include provisions for making loans to corporations, which may be reloaned to individual Indians and partnerships, cooperatives and credit unions, and which may be used to finance the development and operation of corporate enterprises.[33]

Some Indian groups were quick to grasp the opportunities that were provided for in the Act. Between passage of the Act and the Commissioner's report to the Secretary of the Interior in 1937, 65 tribes had adopted bylaws and constitutions and 32 tribes had ratified articles of incorporation for their tribes.[34]

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[32] *48 Stat. 984 (1934).*

[33] *Secretary of the Interior, Annual Report (Washington: Government Printing Office, 1936), p. 183.*

The Indian groups were also eager to make use of the revolving fund for the purpose of setting up corporations on a tribally owned basis. By 1937, 27 percent of the revolving loan fund ($2,719,931) had been loaned out to 17 corporations, most of which had been set up for some form of industrial output with primary emphasis on agricultural development, especially in the area of livestock operations.[35]

Extension was the predominant service rendered to the Indian during this era by the Bureau. This service was the Bureau's counterpart to the Department of Agriculture's county agent system. The emphasis on the agrarian economy did not materially raise the general standard of the Indian. In his 1938 report, the Commissioner stated that "Today Indians are still poor and many of them live just above the minimum subsistence. A very few are wealthy; many are in great poverty."[36] Although these conditions had existed since the reservation program was started in the 1800's, the move to a more balanced effort to provide a better economy for the Indian was slowly coming into being.

The Indians were responding to the changes being effected. In some cases, the Superintendents reported exceptional success in utilization of revolving loan funds by the Indians to set up cooperative associations, such as lumber mills, livestock associations, fisheries, and other business ventures, and by the time the 1939 Commissioner's report was published there was evidence that the I.R.A. was having the desired effect on Indian economic conditions.[37]

A prime example of the improvement in economic conditions brought about by the use of credit to start an enterprise is reported by the agent of the Mescalero (Apache) Reservation in his report to the Commissioner in 1939. Quoted here in part, he said:

> . . . The general attitude on the part of the Indians has improved and the Apaches are well on the road to permanent economic stability. Health conditions have improved greatly and there has been a 25 percent reduction in the

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[34] *Secretary of the Interior, Annual Report (Washington: Government Printing Office, 1937), p. 202.*

[35] *Ibid.*

[36] *Secretary of the Interior, Annual Report (Washington: Government Printing Office, 1938), p. 373.*

[37] *Secretary of the Interior, Annual Report (Washington; Government Printing Office, 1939), pp. 28-29.*

hospital cases on the reservation. This improved morale can be traced at least in part to the fact that earned income per family rose from $450 in 1935 to $1,056 in 1937 indicating something of an achievement of a people who have gained confidence in their ability to do something for themselves.[38]

The primary source of earnings to the Apache was the cattle operation operated both as an individual as well as a tribally owned operation. During the year of 1938, the Indians sold 11,620 head of livestock and 210,540 pounds of dressed meat. The income generated amounted to $356,000, and the Indians consumed in excess of 105,000 pounds of meat.[39]

The availability of credit from the revolving fund had allowed the tribe to upgrade its herd and the individuals who wished to go into the cattle business an opportunity to do so. These individuals, by purchasing from the tribal herd, could get choice yearling heifers on a credit basis and be given ample time to repay the loans.[40]

The problem of bringing a better economy to the Indian was being attacked by utilization of what was considered to be his greatest asset, his land.

However, the Bureau still did not seem to recognize the need for encouraging the Indian to develop a nonagrarian form of economic subsistence.

The Meriam Report of 1928 had directed public attention to the economic value of Indian handicrafts.[41] The Indian Arts and Crafts Board, which had been established in 1935,[42] had been charged with responsibility for promoting the economic welfare of the American Indian through development of Indian arts and crafts and searching out markets for Indian craftsmanship.[43] However, no real significant income was earned by any of the workers producing the crafts. At best, this had provided only a supplemental income. There was still need for some type of program that would allow the indian to earn a wage to provide a livelihood.[44] Therefore, during the 1948 fiscal year, the Bureau prepared and submitted to Congress a long-term program of capital investments for the Navajo and Hopi Reservations.[45] The 10-year program offered followed a method or procedure recommended by the Meriam Report of 20 years before. It emphasized the need for advancing the economic and social conditions of the Indian with due regard to the economic resources of that jurisdiction. There was also recognition that the Indian must be made a part of the planning when Acting Commissioner Zimmerman reported:

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[38] *Secretary of the Interior, Annual Report (Washington: Government Printing Office, 1939), pp. 28-29.*

[39] *Ibid.*

[40] *Ibid.*

[41] *Secretary of the Interior, Annual Report (Washington: Government Printing Office, 1948), p. 376.*

[42] *Ibid.*

[43] *Ibid.*

[44] *Ibid.*

> Planning cannot be effective, however, if it involves people unless those people can participate in the proceedings.[46]

Navajo-Hopi Rehabilitation Act

The Navajo people were anxious to assist in planning, since they and their reservation had been studied and restudied by outsiders and their living conditions were still far lower than those of other Americans. The Navajo Council, under the leadership of Sam Ahkeah, council chairman, asked for and was given authority by the tribal members:

1. To take final action on applications from Navajo Indians seeking business enterprise sites on tribal lands.
2. To act with the full authority of the council in determining the use of Federal loan funds for economic development purposes.[47]

The realization that the Indian population had become aware of their economic needs in order to participate in the way of life existing in the greater part of the United States was also voiced in the 1949 findings of the Graham Committee on Indian Affairs, a part of the Hoover Commission. The Commission stated:

> . . . Indians themselves, old and young, full-bloods and mixed bloods, believe education is essential to the advancement of their people. Economic assistance is ranked with education in importance in all Indian groups and the facts support these views. Indian resources are not fully

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[45] *Secretary of the Interior, Annual Report (Washington: Government Printing Office, 1948), p. 369.*

[46] *Ibid.*

[47] *The Navajo Yearbook (Window Rock, Arizona: Navajo Agency, 1961), Report No. VIII, p. 391.*

> developed on most reservations and a substantial portion of their lands are being leased to others rather than grazed or farmed by Indian operators.[48]

The committee further found that the Indian wanted to make more profitable use of his lands but that he needed both training and capital. The Indian with inadequate or no resources needed assistance in getting off-reservation employment. There was a definite interrelationship between education and economic development.

The final report of the Hoover Commission stated:

> It is in the public interest and the interest of the Indian to see that Indian people fit into the economic and social structure of the country at a sufficiently high level to enjoy the benefits of American society and that each Indian is able to find a place that has some reasonable relation to his ability and resources . . . Regardless of treaties and agreements with Indian tribes in which a good many specific commitments have been made as to both educational and economic assistance toward assimilation, the Indian deserves at least a fair break because he is a human and a citizen of the United States.[49]

Actions of the Bureau and the Navajos, combined with findings of the Hoover Commission, were pointing out a means of increasing opportunities for developing the Indian's resources. The sole emphasis on educating the Indian to become a farmer was giving way to a more balanced approach. A new perspective was presented with a statement from the Commissioner in his 1949 report:

> Development of the property to full utilization and encouragement of the owner to accept responsibility for management - these are the proper goals of Indian administration. They are the means by which the United States may, within a reasonable time, withdraw from its historical role and turn over its trusteeship to a trained and responsible Indian people.[50]

[48] *The Commission on Organization of the Executive Branch of the Government (Hoover Commission, Graham Committee),* Indian Affairs *(Washington: The Commission, 1949), p. 57.*

[49] *Secretary of the Interior,* Annual Report *(Washington: Government Printing Office, 1949), p. 369.*

[50] *Public Law 390, 81st Cong., 1st Sess. (1950).*

There had been earlier recognition of a need for new types of programs, and in 1947, under the provision of Public Law 390, Congress directed the Secretary of the Interior "to submit to Congress his recommendation for necessary legislation for a long-range program" for dealing with the problems of the Navajo and Hopi Indians.[51]

While the long-range program was being prepared for presentation to Congress, many other tribes learned of the action being taken in behalf of the Navajo and Hopi Tribes. They urged the Congressmen and Senators of their various States to introduce legislation authorizing long-range rehabilitation programs for their benefit. The Papago Tribe, of Arizona, even assumed a large portion of the responsibility for preparing its own program through the tribal council.[52]

Demands were building up in the Congress, the Bureau, and the tribes for a new approach in dealing with Indian economic problems.

Congress responded to these demands during the first session of 1950 when it brought forth legislation authorizing the appropriation of funds to be used for development of industrial and business enterprises on the Navajo and Hopi Reservations.[53]

The Act, Public Law 474, specifically stated its purpose was "to promote the rehabilitation of the Navajo-Hopi tribes of Indians and a better utilization of the resources of the Navajo-Hopi reservations." It further stated that appropriations were to be made:

> . . . to make available resources of their reservations for use in the promoting of a self-supporting economy and self-reliant communities, and to lay a stable foundation on which these Indians can engage in diversified economic activities and ultimately attain standards of living enjoyed by other citizens, . . . and the more productive employment of their manpower.[54]

Sections one and eight of this Act are of particular interest to this study, since much of the philosophy of subsequent economic development of industrial and commercial businesses on Indian lands can be traced to the provisions of these sections of Public Law 474.

[51] *Public Law 390, 81st Cong., 1st Sess. (1950).*

[52] *Secretary of the Interior, Annual Report, 1948, op. cit., p. 378.*

[53] *Public Law 474, 80th Cong., 2nd Sess. (1947).*

[54] *Ibid.*

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Section one, subsection (4), authorized an appropriation of $1 million to be used for "development of industrial and business enterprises." Section eight included a statement that:

> In the administration of the program, the Secretary of the Interior shall consider the recommendations of the tribal councils and shall follow the recommendations whenever he deems them feasible and consistent with the objectives of this act.

Thus, with these specific directions from Congress, the Bureau could develop a program to be used to attack the ever-present problems of unemployment and low income through encouragement of Indian participation in other economic endeavors in addition to the agrarian approach long used by the Bureau.

Public Law 474 paved the way for the use of Federal funds specifically for development of industrial and business enterprises on Indian lands. However, the Bureau assumed the position that its role should be limited to stimulation, guidance, and assistance to tribal leaders in developing joint programming by the tribes and Bureau personnel for establishing ways and means of improving the economic status of the Indians. In looking toward this end, the Bureau established a new Division of Programs in the Central Office in Washington.[55]

Staff personnel of this new Division visited a large number of the tribes and addressed many Indian community meetings on the subjects of program development.

As early as 1950, the Bureau had recognized that Indians could make significant advances in a variety of economic endeavors if proper financial and technical assistance were provided by the Bureau. There was recognition of a need for development of programs to encourage Indians to make use of their physical resources for purposes other than agriculture. The Bureau envisaged several types of activities that would make fuller use of the human resources.[56]

Such projects as portable sawmills, box factories, arts and crafts, and manufacturing facilities had been encouraged and developed. The Menominee Tribe of Wisconsin had opened a garment factory employing 30 Indian women.[57] Many of these types of enterprises had been encouraged and financing had been made available through the revolving credit fund established under the authority of the I.R.A. As of June 30, 1952, $11,523,400[58] had been appropriated for use in the revolving fund to finance individual or Indian corporations. The loans were made to establish income-producing businesses. Such enterprises as tourist and motel centers, logging and timber operations, and arts and crafts centers had been established to provide new employment opportunities for members of tribes.

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[55] *Secretary of the Interior, Annual Report (Washington: Government Printing Office, 1952), p. 389.*

[56] *Secretary of the Interior, Annual Report (Washington: Government Printing Office, 1950), p. 357.*

[57] *Ibid.*

The advances made between 1949 and 1953 had been significant, and it seemed that the programs being developed would provide some guidelines to be followed in development of the reservations. However, the problems of financing was still a major problem in establishing businesses. In fact, between 1951 and 1959, only $238,000 of the $1 million authorized to be appropriated for development of industrial and business enterprises was actually appropriated and used.[59]

With all the planning done to develop the long-range program in 1950 (Public Law 474) to guide their efforts, and the guidance of an experimental industrial development program administered by the Advisory Committee of the tribal council and the Bureau, Navajo efforts to develop successful enterprises met with little success. Between 1951 and 1954, the tribe entered into several businesses, such as trading post operations, motel operations, sawmills, various industrial endeavors, and arts and crafts projects. By 1955, only the arts and crafts, two motels, the Window Rock coal mine, and the tribal sawmill had survived.[60]

It was evident to some tribal and Bureau officials that many Indian areas would profit greatly from successful industrial developments, but on some of the reservations the human and physical resources were inadequate to support manufacturing plants.[61]

Even an established industry might well fail, one reason being the lack of factual data to permit adequate planning. This was pointed out in the Comptroller General's report in 1958.[62]

[58] *Secretary of the Interior, Annual Report, 1952, op., cit., p. 415.*

[59] *The Navajo Yearbook, op. cit., p. 5.*

[60] *Ibid., p. 190.*

[61] *William A. Brophy and Sophie D. Aberle, The Indian, America's Unfinished Business (Norman, Oklahoma: University of Oklahoma Press, 1966), p. 95.*

[62] *U.S., Comptroller General, Administration of Withdrawal Activities by the Bureau of Indian Affairs, Report to the Congress of the United States (Washington: Government Printing Office, 1958), p. 40.*

In contrast to the lack of emphasis on developing businesses and industries, the Navajo-Hopi plan authorized \$25 million for school construction, and by 1959 \$24,777,295 had been allocated. The total \$4,750,000 authorized for hospital and health facilities had been allocated.[63]

There was mounting evidence that the termination policy advocated by Congress in 1953 was creating some undesirable situations, not the least being the Bureau's concentration on the withdrawal of Federal services, rather than on the improvement of the Indian's economic situation.[64]

The Termination Resolution

On March 25, 1953, a Special Subcommittee on Indian Affairs was appointed by the House Committee on Interior Affairs pursuant to House Resolution 89. This subcommittee was established to provide a full and complete investigation of the Bureau of Indian Affairs. The Bureau cooperated fully in the investigation and provided much of the information needed by the Secretary of the Interior to comply with a provision of House Concurrent Resolution 108:

> To provide Congress with his recommendations for legislation needed to accomplish the purposes of the resolution: To free the Indians from Federal control and supervision.

Hearings held under the provisions of H.R. 89 revealed that many Bureau officials, field personnel, and Indian leaders did not feel that termination was in the best interest of the majority of the Indian people. However, the committee found that 74 clans or tribes were believed to be ready for complete termination; the majority of these were in the States of Washington and Nevada. Nineteen groups were felt to be conditionally ready, and 88 tribes, comprising the greater majority of the Indian population, not ready for termination.[65]

However, the "Termination Resolution" was passed as House Concurrent Resolution 108 on August 1, 1953. The resolution did not take the form of a statute, but did make a declaration of policy with the stated purpose of freeing all Indians from federal supervision as they became competent to handle their affairs.

The resolution did not, at the time of its inception, provide for this termination. Rather, it specifically named certain Indian tribes and members of tribes residing in the States of California, Florida, New York, and Texas who should be initially freed from "Federal supervision and control and from all disabilities and limitations especially applicable to Indians." It further named five tribes residing in other States as being eligible for immediate release from Bureau supervision.

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[63] *The Navajo Year Book, loc. cit.*

[64] *Brophy and Aberle, op. cit., p. 188.*

[65] *U.S., Congress, House, Investigation of the Bureau of Indian Affairs, H.R. 2680, 83:2 (Washington: Government Printing Office, 1954), pp. 3-5.*

The combination of House Concurrent Resolution 108 in 1953 and the report of the Committee on Interior and Insular Affairs in 1954 seemed to bring the Bureau's efforts to promote industrial and business developments almost to a standstill. Between 1954 and 1959, the Bureau aided in the establishment of only four factories on reservations, with one of the businesses closing during the same period. A total of 391 Indians became employed as a result of these developments.[66]

Some of the tribes specifically mentioned in House Concurrent Resolution 108 were not ready for termination, and many conflicting opinions on the desirability of termination were expressed by both members of the Bureau and the Indian leaders.[67]

For almost a decade, the Congress and the Bureau had fluctuated between a paternalistic approach to solving the economic plight of the Indians and the "hands off approach" established by the "termination resolution." Little progress had been shown in the development of industries or businesses on Indian lands. The tribes had not shown much initiative in this area, and Congress had allocated less than 25 percent of the $1 million authorized by Public Law 474 to the Hopis and Navajos.

In 1957 the Fund for the Republic, Inc., established the Commission on the Rights, Liberties, and Responsibilities of the American Indian. The purpose of the commission was to make an appraisal of the effect the Government's reversal of policy in dealing with the Indian was having on the Indians themselves.[68]

The Commission did not issue its first report until January 1961; however, some controversy had developed over the effects the "termination policy" had on some Indian tribes. The most concise statement of this was made by the Wisconsin State Legislature in its 1959 resolution requesting that Congress retain Federal supervision until the Menominee Indians were better prepared for termination.[69]

[66] *Bureau of Indian Affairs, "Summary Record of Plants Established As Result of Indian Industrial Development Program," (Washington: Bureau of Indian Affairs, October 1963), p. 1. (Mimeographed).*

[67] *Taylor, op. cit., pp. 63-65.*

[68] *Brophy and Aberle, op. cit., p. VII.*

[69] *U.S. Congressional Record, 86th Cong., 1st Sess. (1959), Vol. 105, part II, 14396.*

Some of the tribes did not want to become self-sufficient too quickly for fear of termination,[70] and the Congress seemed to be skeptical of the need for continuing to support Indians with services that had been rendered down through the years.[71] Some measures needed to be taken to provide guidelines for future economic development programs which would provide a simultaneous attack on a broad front to establish enterprises on individual reservations.

A Program for Indian Citizens

Early in 1961, Secretary of the Interior Stewart Udall appointed a special task force on Indian affairs whose duties were to include, but not be limited to, determining what the objectives of the Federal Indian program should be and to offer proposals aimed at fulfilling these objectives.[72]

This task force, made up of four men familiar with Indian problems and an interest in Indian affairs, was chaired by W.W. Keeler, Chairman of the Cherokee Tribe of Oklahoma and an executive of the Phillips Oil Company. The task force further included Philleo Nash, a well-known anthropologist, former Lieutenant Governor of the State of Wisconsin, and later to become Commissioner of Indian Affairs; James E. Officer, Professor of Anthropology at the University of Arizona and later an Associate Commissioner of the Bureau; and William Zimmerman, Jr., former Acting Commissioner of the Bureau.

At the time the task force was formed and during the time the report was being prepared, the Bureau's aims were defined as:

1. To create conditions under which the Indians will advance their social, economic and political adjustment to achieve a status comparable to that of their non-Indian neighbors.

2. To encourage Indians and Indian tribes to assume an increasing measure of self-sufficiency.

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[70] *U.S., Comptroller General, Administration of Withdrawal Activities by the Bureau of Indian Affairs, Report to the Congress of the United States, op. cit.*

[71] *Ibid.*

[72] *W.W. Keeler, et al., A Program for Indian Citizens (Albuquerque: The Funds for the Republic, Inc., July 10, 1961), a Report submitted to the Secretary of the Interior by the Task Force on Indian Affairs.*

3. To terminate, at appropriate times, Federal supervision and special services to Indian.[73]

As has been shown, under Congressional and Executive Branch direction the bureau had placed great emphasis on the last of these aims during the recent past. During that same period, almost no development of industrial or commercial activities had taken place.

On July 10, 1961 the task force submitted its 77-page report to Secretary Udall. The report established a foundation upon which a change in the administration of Bureau programs could be based. The most important recommendation made was for the shift in emphasis away from the termination policy to the establishment of programs aimed at developing employment opportunities for Indian people and utilization of their reservation resources.

Three of the recommendations made in the report laid the foundation for the industrial and commercial development program currently used by the Bureau. These were that:

1. The budget for the Branch of Industrial Development be increased and Civil Service grading of personnel be revised so as to make possible the employment of more industrial development specialists.

2. The Bureau assist the tribes in setting up programs designed to prepare occupants of Indian communities for employment in industries.[74]

3. Contact be established with industry, trade associations, professional organizations, etc., essential to the attraction of industry to the reservations.[75]

The task force further suggested reorganization of the Division of Economic Development to support new economic programs. Several Branches within the Bureau were engaged in activities directly related to economic development; yet they were not in the Division. It was suggested that the Branches of Credit, Industrial Development, and Vocational Placement and Training be transferred from other Divisions into the Division of Economic Development. This consolidation of activities was expected to strengthen the overall efforts to maximize utilization of the human and natural resources of the reservations.

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[73] *Bureau of Indian Affairs, Indian Affairs Manual, Vol. 1 (Washington: Bureau of Indian Affairs, 1961), pp. 1-2.*

[74] *The term "Indian communities" has often been used to define Indian-occupied areas from small villages inhabited by Indians to the complete reservation population.*

[75] *Keeler, op. cit., pp. 18-19.*

Since the mid-thirties, the Department of Agriculture had provided extension services to the Indians. It was now suggested that this activity be returned to the Bureau and be located in the Division of Economic Development, thus establishing a full range of economic development that could be coordinated through one Division of the Bureau.[76]

The implementation of these recommdations established a new approach for attacking the economic problems of the Indian people.

SUMMARY

In this chapter, an attempt has been made to sketch, merely for purposes of background, the highlights of the legislation, philosophies, and programs that have affected the economic development of Indian lands. Many works are available which treat intensively the subjects briefly considered here, some of which have been footnoted and cited in the bibliography.

As a result of the constantly changing approach to the development programs intended to improve economic conditions on the reservations, both the Bureau and the Indians have had to change their emphasis toward economic improvement every few years. The constant changing has been necessary in many instances, yet has also acted as a deterrent to improving employment opportunities on many reservations.

From this overview of the historical approaches to economic development, attention is next directed to the programs used by the Bureau to induce employment for Indian people in the past decade.

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[76] *Ibid.*

Chapter 3

EMPLOYMENT PROGRAMS, 1961-1971

The programs used by the Bureau in the past had not substantially reduced the unemployment problem existing on most reservations.[1] The Indian unemployment rate was approximately 40 percent on a national average and as high as 60 percent on some reservations.[2]

The problem of high unemployment was accompanied by other problems; many reservations could not provide means for supplying an adequate income for all reservation residents, even with total utilization of all available resources.[3] In addition to this, the Indian population in communities had one of the highest rates of population increases in the Nation, averaging about 2.5 percent per year.[4]

All these factors contributed to the Bureau's implementation of a broad and comprehensive program to alleviate the high unemployment rate existing on most of the reservations--a program which would lead to development of Indian resources and Indian people.[5]

From 1961 to 1971, the Bureau used five separate and distinct operations to attack the problems. These were as follows:

1. Adult vocational training programs.
2. Voluntary relocation for employment.
3. Public works projects on reservations.
4. "Force account" construction projects.
5. Industrial development on or near reservations.

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[1] *U.S., Congress, House, Committee on Interior and Insular Affairs, Indian Unemployment Survey, Report, 88th Cong., 1st Sess., July 1963 (Washington: Government Printing Office, 1963), pp. VI-VIII.*

[2] *Ibid., pp. 667-738.*

[3] *William A. Brophy and Sophie D. Aberle, The Indian, America's Unfinished Business (Norman, Oklahoma: University of Oklahoma Press, 1966), p. 62.*

[4] *Estimated by Dr. Louis Conger, Chief, Division of Statistics, BIA, during personal interview September 6, 1972.*

[5] *Philleo Nash, "Indian Administration in the United States" (Washington: Department of the Interior, 1962), p. 7 (Mimeographed), an address given under the auspices of the School of Graduate Studies, University of Toronto, Toronto, Canada, December 6, 1962.*

These programs were budgeted for, and used, throughout the period. All had an impact on Indian employment problems; however, each used a different approach to alleviating unemployment. Their impact on unemployment was evidenced, although not all in the same magnitude.

Adult Vocational Training Programs

The Indian Vocational Training Act of 1956, Public Law 959, provided for a wide variety of training programs for adults between the ages of 18 and 35. The program became operative immediately, and in 1961 there were 2,096 participants. By 1962 this had grown to 3,886 (see table 3-1, page 39).

During the decade 1961-1971, the annual number of participants in the adult vocational training program rose from 2,096 in 1961 to 7,200 in 1971. Expenditures rose from $3,500,000 in 1961 to $19,570,000 in 1971 (see table 3-1). The cost per person trained rose from a low of $1,349 in 1961 to $2,718 in 1971--with higher minimum wages creating a 30 percent rise in costs.[6]

There are 125 occupational training courses being conducted in approved schools located in 26 States.[7] The schools are located in both urban centers and on or near reservations. However, to locate employment most of the trainees must relocate from the reservation area to an urban center regardless of where they have taken their training.[8] The lack of commercial and industrial development of enterprises in reservation areas made it unlikely that the trainee could find employment on the reservation; or if he could, the job would not be commensurate with the skills learned in the occupational schools.[9] Thus, these individuals often sought work off the reservation, with Bureau assistance.[10]

The number of participants in the adult vocational training program rose consistently until 1971, when a significantly fewer number of Indian

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[6] *The Federal minimum wage scale rose from $1.15 in 1961 to $1.60 in 1968, remaining at that rate through 1971.*

[7] *Secretary of the Interior, Annual Report (Washington: Government Printing Office, 1969), p. 389.*

[8] *Henry W. Hough, Development of Indian Resources (Denver: World Press, Inc., 1967), p. 190.*

[9] *Ibid.*

[10] *Ibid., p. 191.*

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TABLE 3-1

PARTICIPANTS AND COSTS, BUREAU OF INDIAN AFFAIRS EMPLOYMENT ASSISTANCE PROGRAMS (1961-1971)

Fiscal Year	Relocation		Adult Vocational Training		On-the-Job Training		Industrial & Commercial Development	
	Participants	Costs	Participants	Costs	Participants	Costs	Participants	Costs
1961	3,468	$ 2,978,000	2,096	$ 3,500,000	506	$ 118,543	Not Avail.	$ 260,000(1)
1962	3,494	3,100,000	3,323	4,250,000	736	187,400	Not Avail.	285,000(1)
1963	3,318	2,815,000	3,543	5,391,760	476	169,724	1,146	486,800
1964	4,097	2,747,000	3,886	6,673,000	552	292,517	1,514	506,900
1965	4,523	2,792,000	4,961	9,300,000	656	342,304	1,720	705,900
1966	3,747	3,007,000	6,724	11,421,000	1,302	520,075	3,227	694,000
1967	5,599	3,864,000	7,691	13,159,000	1,344	820,277	4,000	666,000
1968	5,581	7,267,000	8,064	13,830,000	1,074	1,099,472	4,200	738,000
1969	5,705	8,477,000	8,362	15,700,000	1,344	1,737,841	5,959	773,000
1970	7,852	12,761,000	9,218	25,000,000	1,437	2,079,881	7,975	1,367,000
1971	5,195	13,243,000	7,200	19,570,000	2,220	2,980,000	9,312	2,154,000

(1) Included with Funding of Relocation Branch during year and allocated for activity.

SOURCE: Compiled from data contained in the annual statistical summary, division of employment assistance, Bureau of Indian Affairs (1970 processed) and the Budget Office Financial Records provided by Mr. William Searcy, Division of Budget, Bureau of Indian Affairs.

people were seeking training under provisions of the program. This may have been caused by the increase in job opportunities in the reservation areas. This was also true in the relocation program which many trained Indians had used as a means of leaving the reservation to take jobs in urban center.

Voluntary Relocation

The first mass exodus from the reservations took place during World War II when some 24,000 men entered the armed services. This was 32 percent of all the male Indian population between the ages of 18 and 50.[11] Many of these men did not return to reservations but remained in urban centers.[12]

In addition to members of the armed forces, approximately 40,000 Indians left reservations to obtain wartime employment, with about half of them going into industry, where manpower shortages were severe,[13] and the other half going into agricultural fields of employment.[14]

In 1950 the Bureau opened field or placement offices in several cities to provide Indians who wished to seek employment off the reservation an opportunity to relocate.[15] Between 1952, when the first applicants were placed, and 1960, the program had relocated 14,652 job seekers, plus 18,753 members of their families where the applicants were the primary source of income for the family group.[16]

Between 1961 and 1971, the program grew from 1,822 job seekers and 3,468 persons per year to 2,591 job seekers and 5,195 persons per year.[17] Expenditures rose from $2,978,000 in 1961 to $13,243,000, and per job seeker costs rose from $858 to $2,549 per participant. (See table 3-1.)

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[11] *Secretary of the Interior, Annual Report (Washington: Government Printing Office, 1945), pp. 249-250.*

[12] *Secretary of the Interior, Annual Report (Washington: Government Printing Office, 1946), p. 353.*

[13] *Secretary of the Interior, 1945, op. cit.*

[14] *Ibid.*

[15] *Secretary of the Interior, Annual Report (Washington: Government Printing Office, 1951)pp. 375-376.*

[16] *Secretary of the Interior, Annual Report (Washington: Government Printing Office, 1961), p. 296.*

[17] *Bureau of Indian Affairs, "Annual Statistical Summary," Division of Employment Assistance (Washington: Department of the Interior, 1971). p. 2 (Duplicated).*

A significant increase in use of the relocation plan occurred in 1970. Much of the rise in expenditures and use has been attributed to an increase in participation by Alaskan Indians.[18] This rate did not carry forward into 1971, when the total participation showed a drop to a figure below that of 1969. This reduction has been partially attributed to increased opportunities on reservations, and the desire to remain there.[19]

In ten years, the Bureau assisted in the relocation of 52,579 at a cost of $63,051,000, amounting to $1,199 per person relocated.

The relocation plan is completely voluntary. The participants are aided by the Bureau Family Assistance Centers located in several major metropolitan areas throughout the country, e.g., Los Angeles, California; Chicago, Illinois; and Minneapolis, Minnesota. Those Indians who relocate are subject to the loss of certain Federal benefits available to the reservation dwellers.[20]

The loss of employment and the reservation benefits has caused some Indians to live in an alien environment under conditions similar to the poor reservation life.[21] Thus, many Indians prefer to remain on the reservation, regardless of economic conditions.[22] For some of these people, temporary employment is often available on public works projects or "free account" construction taking place on the reservation.

Public Works Projects

In 1961 the Bureau instituted an Accelerated Public Works program (APW) to upgrade the Indian reservation road systems and Indian-owned timber.[23] There were projects started to improve roads, conservation of soil and water, and to build schools and community centers. In fiscal year 1963 alone, more than $12 million was allotted to the Bureau to be used for public works projects.[24]

[18] *Ibid.*

[19] *Statement by G. Gordon Evans and Robert Morris, Bureau of Indian Affairs, personal interview, September 6, 1971.*

[20] *Brophy and Aberle, op. cit., pp. 70-71.*

[21] *Secretary of the Interior, Annual Report, 1946, op. cit., p. 353.*

[22] *Hough, op. cit., p. 190.*

[23] *Secretary of the Interior, Annual Report (Washington: Government Printing Office, 1963), p. 26.*

[24] *Ibid.*

During 1962, 86 projects were started, and by the end of the year over 55,000 Indians in 18 States were employed in public works projects. The projects ranged from small ones, using a few men to clean up roadsides to reduce fire hazards to Indian timber stands, to major projects of building roads and community centers, using large numbers of men and substantial amounts of heavy equipment.[25]

The road projects of the APW program, in addition to providing employment for reservation residents, also relieved one factor that has operated for many years to retard full economic and social development on Indian reservations--the lack of adequate road facilities.[26]

Road construction projects in 1963 completed 651 miles of roads. These operations encompassed 88 different roads and 38 reservations throughout the Nation.[27] During the same period, 14 community centers were started and 11 completed. These centers were badly needed on many reservations. Without them, tribal gatherings were difficult and there was less cohesion in the Indian communities.[28]

The Bureau has two principal methods by which construction and maintenance can be accomplished. One is by awarding of a contract to a private contractor; the other is the "force account," which calls for direct involvement of the Bureau and requires the Bureau to supervise the job.[29]

"Force Accounts"

In 1961 the Bureau adopted the following policy for construction work:

> The force account method shall be used when justified by the employment and training of Indian workers, and where the acquisition of equipment can be justified. The contract method shall be used on projects where Indian workers are not available, or where the acquisition of specialized equipment cannot be justified.[30]

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[25] *Ibid.*

[26] *Secretary of the Interior, Annual Report (Washington: Government Printing Office, 1962), pp. 26-27.*

[27] *Secretary of the Interior, Annual Report (Washington: Government Printing Office, 1963), p. 26.*

[28] *Secretary of the Interior, 1963, op. cit., p. 27.*

[29] *Ibid., pp. 27-28.*

[30] *Ibid., p. 28.*

Use of the force account method requires employment of Indians to the greatest extent possible and generally provides more opportunities for Indian employment.[31] Experience by the Bureau also indicates that use of the method furnished Indians much-needed construction experience. This was pointed up by Congressmen Ben Reifel in 1964 when he said:

> One of the areas in which Indians have in the past gotten experience so they can go out and earn a living, where there aren't jobs on the reservation, has been through force account labor.[32]

Implementation of this policy has enabled the Bureau to provide some employment opportunities to Indians who would not normally be employed if outside contractors were used.[33] The value of the force account method is best shown by the increase in employment of Indians after the first year of the policy. In 1961 there were 1,260 Indians employed on projects; this had increased to 2,847 by the end of 1962, over a 125-percent increase. In 1963 the force accounts employed an additional 900 Indians.[34]

However, because of the limited size of most reservations, new construction and rehabilitation type projects do not normally provide for long-term continued employment.[35] Such employment has been a major problem, and in 1961, Secretary of the Interior Stewart Udall appointed a task force to study the Indian situation.[36] One recommendation of the task force led to the establishment of the industrial and commercial development program.

Industrial Development

The 1961 task force recommended the use of long-range planning for industrial development and a reorganization to enable the Bureau to accomplish such a goal.[37]

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[31] *U.S. Congress, House, Committee on Appropriations, Department of the Interior and Related Agencies Appropriations for 1965, Hearings before Subcommittee, 88th Cong., 2nd Sess., February 7, 1964 (Washington: Government Printing Office, 1964), p. 824.*

[32] *Ibid., p. 826.*

[33] *Ibid., p. 912.*

[34] *Secretary of the Interior, 1963, op. cit., p. 28.*

[35] *U.S., Congress, House, 88th Congress, 2nd Session, op. cit., p. 826.*

[36] *Secretary of the Interior, Annual Report, 1961, op. cit., p. 277.*

[37] *W.W. Keeler, et al., A Program for Indian Citizens (Albuquerque: The Fund for the Republic, Inc., July 10, 1961), p. 62, a report submitted to the Secretary of the Interior by the Task Force on Indian Affairs.*

Prior to 1961, the industrial development program was at best a haphazard program, poorly financed and loosely controlled. Acceptance of the 1961 task force recommendations by Secretary Udall and the officials of the Bureau opened the way for establishment of policies that would enable the Bureau to develop a long-range program for the economic development of Indian lands.[38]

The first significant action of the Bureau was to implement the recommendation of the task force and establish a new Division of Economic Development, headed by an Assistant Commissioner.[39] This made it possible for the Bureau to bring into one Division all the activities that were being focused on the development of economic opportunities on reservations. (See Figure 3-1 on page 45.) These included the programs of agricultural assistance (irrigation construction, range management, and agriculture extension), forestry work, activities on leasing, road construction and maintenance of roads linking remote Indian localities with major marketing centers or transportation arteries. The activities further included the revolving credit fund which supplied the financing--over and above that available from some ordinary sources--needed for the development of tribal and individual Indian economic enterprises, and the industrial program to assist tribes in the inducement of private manufacturers to establish plants on or near reservation localities so that tribal members could enjoy greater opportunities for year-round employment.[40]

Because the potentialities for economic growth varied greatly from reservation to reservation--depending on the type and quantity of physical resources, the availability of manpower and skills, proximity to markets, and many other factors--comprehensive planning for each reservation and tribe was the first step in the development of an effective program for economic advancement of Indian people.

During early 1962, the Bureau formulated plans for strengthening of the planning liaison function at the Agency level to provide tribes with greater technical help in the development of techniques to be used in attraction of industries and enterprises to the reservation areas.[41]

The Bureau allotted $260,000 to the industrial development program in both 1961 and 1962. There were needs for feasibility studies, financing of Indian developments, and road construction. With the limited budget, the Bureau could do little more than provide guidance to attraction of

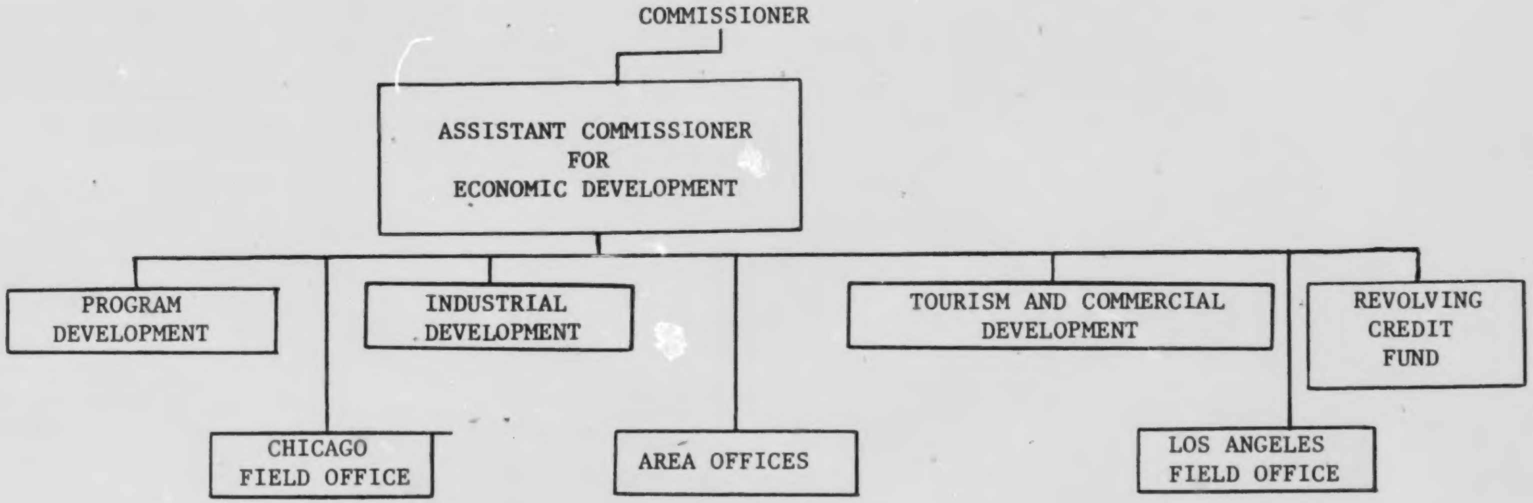
[38] *Secretary of the Interior, 1961, loc. cit.*

[39] *Secretary of the Interior, 1962, op. cit., p. 8.*

[40] *Ibid., pp. 9-10.*

[41] *Ibid., p. 10.*

FIGURE 3-1


COMMISSIONER
ASSISTANT COMMISSIONER FOR ECONOMIC DEVELOPMENT
PROGRAM DEVELOPMENT
INDUSTRIAL DEVELOPMENT
TOURISM AND COMMERCIAL DEVELOPMENT
REVOLVING CREDIT FUND
CHICAGO FIELD OFFICE
AREA OFFICES
LOS ANGELES FIELD OFFICE

Source: Extracted from organization charts for 1963, Bureau of Indian Affairs, Department of the Interior, Washington, D.C.

industry. However, in 1963 the budget was raised to $468,000, and the Bureau undertook the task of developing 26 feasibility studies to explore the feasibility of locating various types of economic enterprises on Indian lands.[42]

Indian reservations were specifically mentioned as being potentially eligible for financial assistance in the Area Redevelopment Act of May 1, 1961.[43] Of the 215 reservation areas, the Bureau succeeded in having 51, encompassing 56 tribes, designated as "Reservation Redevelopment Areas" under the eligibility standards in this act.[44]

With assistance from the tribes, the Bureau prepared overall economic development programs (OEDP's) for 27 of the reservation areas and submitted them to ARA. Twenty of these were given provisional approval by ARA by the end of 1962, and the Bureau development personnel started preparing OEDP's, which were required by ARA within one year after tentative approval was granted.[45]

In addition to the OEDP's, tribal officials, with Bureau assistance, prepared and submitted 51 requests for grants to make feasibility studies for establishment of enterprises. Nineteen feasibility studies were performed for various types of economic developments under grants approved by ARA. During 1962, a total of $718,343 was made available to the Bureau by ARA, and in addition to the 19 approved assistance grant contracts, 32 more were awaiting approval.[46]

Besides the funds granted by ARA for feasibility studies, the Bureau solicited aid for the financing of industrial and commercial developments.

These initial steps led to establishment of the industrial and commercial development program used by the Bureau and tribes in the 1961-1971 decade to promote location of industries on Indian reservations, or within acceptable commuting distance of Indian communities. In some instances, this has been as far as 65 miles.[47]

[42] *Secretary of the Interior, 1963, op. cit., p. 28.*

[43] *75 Stat. 47 (1961).*

[44] *Secretary of the Interior, 1962, loc. cit.*

[45] *Ibid.*

[46] *Compiled from data in Area Redevelopment Agency, The Annual Summary of Approved Projects (Washington: Department of Commerce, 1965).*

[47] *The Phoenix Gazette, September 30, 1969.*

The activities of the program, and the impact those activities have had on the total problems of high unemployment and low income of Indians residing on reservations, are discussed in subsequent chapters. In some instances, the impact the program has had on economic problems of specific reservations is discussed.

SUMMARY

In this chapter, the major programs used by the Bureau to increase the number of employment opportunities for Indian people have been discussed. We have seen that the relocation, adult vocational education, and public works and "force account" programs have made it possible for many Indians to become employed. We have further seen that these programs have suffered some limitations.

The relocation program has provided many Indians with an opportunity to become employed. However, in order to become employed they, and perhaps their families, have to leave their reservations and move to urban areas. The move sometimes works to the Indian's disadvantage. He may well lose many of the benefits that were available to him on the reservation; he may lose his job and suffer a loss of economic stability in an alien environment.

The adult vocational training program has made many Indians more employable by providing them with an education in a field of endeavor that makes it possible for them to earn a living. This program also evidences some disadvantages in that many Indians cannot find employment on the reservation where they reside, nor within proximity of the reservation even though they may be willing to commute long distances.

The public works and "force account" programs have also provided many employment opportunities. Construction programs used to build needed facilities on the reservations have been extensive, but, as we have seen, many reservations are too small to provide continued employment to Indians skilled in construction trades. Thus, these people must leave their reservations if they are to enjoy permanent employment.

The Industrial and Commercial Development Program as recommended by the 1961 task force may well be an effective way to provide the Indian people with opportunities for employment on their own reservations. The added employemnt and income opportunities made possible through this program are analyzed in the following chapters.

Chapter 4

PROBLEMS SURROUNDING ESTABLISHMENT OF INDUSTRY, 1961-1971

The preceding chapter reviewed very briefly the various programs used to increase employment and income opportunities for Indian people. It was pointed out that there were problems present in three of the programs: (1) Relocation requires the Indian to leave the reservation; (2) adult vocational education prepares for types of employment which may not be present on the reservation; and (3) the public works program and "force account" projects often provide only short-term employment. The fourth program, Industrial and Commercial Development (ICDP), appears to be one that could provide long-term employment opportunities for Indians desiring to remain on their own reservations.

This chapter is devoted to an analysis of the problems encountered by the Bureau in implementing one recommendation of the Task Force on Indian Affairs, whose report had been accepted and endorsed by the Secretary of the Interior in 1961.[1] The major recommendation considered in this chapter is that which said the Bureau should make a more vigorous effort to attract industries to reservation areas.[2]

The following problems and factors encountered in attracting industries to locate in reservation areas, and in developing new business endeavors on reservations, are discussed: (1) Bureau organization, (2) location of reservations, (3) financing programs, and (4) special problems of ICDP. The special problems discussed include internal funding and training and maintaining a stable labor force in the industries established.

BUREAU ORGANIZATION

A specific program of industrial development was established by the Commissioner of Indian Affairs in his administrative memorandums issued in August 1955 and October 1959.[3]

The 1959 organization placed the Branch of Industrial Development under the direct supervision of the Assistant Commissioner, Division of

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[1] *Secretary of the Interior, Annual Report, 1961 (Washington: Government Printing Office, 1961), p. 277.*

[2] *Ibid.*

[3] *Bureau of Indian Affairs, "Indian Affairs Manual" (Washington: Bureau of Indian Affairs, 1959), Section 84, Part 1.4 (Duplicated).*

Economic Development. Organizationally with the Division, the Branch was assigned staff reponsibility for all industrial development functions of the Bureau.[4]

The reorganization of the Division of Economic Development which took place in 1961 had no direct effect on the functions of ICDP, nor on its responsibilities.[5] These responsibilities were broadly defined as planning, developing, and evaluating field implementation of the Indian Industrial Development Program.[6]

The Central Office staff, under the Chief, Branch of Industrial Development, in Washington, D.C., would conduct their program through, and with the assistance of, industrial development specialists in the Area Offices.[7] The role of the Central Office was well spelled out in the operations manual of the Bureau, where it was stated the duties would be to:

> 1. Formulate and recommend general policies and plans for the development of long-range programs of industrial development on or near reservations, which will encourage and promote the location of private manufacturing or industrial plants to provide job opportunities for Indian people.
>
> 2. Establish standards of operational policies and procedures to be followed in conducting the Indian industrial development program within the jurisdiction of the field offices.
>
> 3. Provide, through the Area Directors, staff guidance and assistance to the Area Industrial Development Staff.[8]

Reorganization of the Division of Economic Development in accordance with the recommendations of the Task Force had little material effect on the organization of the industrial development program, other than to consolidate the principal activities and functions most often involved in establishment of an industry under one head.[9]

[4] *Ibid.*

[5] *Statement of Franklin G. Hutchinson, Bureau of Indian Affairs, personal interview, April 3, 1972.*

[6] *Bureau of Indian Affairs Manual, op. cit., Section 1.4A(1)(b).*

[7] *Ibid., Section 1.4A(1)(c).*

[8] *Ibid., Section 1.4A(2).*

[9] *Statement of George W. Hubley, Jr., Former Assistant Commissioner for Economic Development, Bureau of Indian Affairs, personal interview, August 16, 1971.*

Since the reorganization that took place in 1961, there have been no major organizational changes made which would affect the program. There have been changes in emphasis from time to time; however, for the most part, the program has followed the basic policies established in the late fifties.[10]

The major advantage of the new Economic Development Divison's consolidation of activities was the creation of an easier means of coordinating all the actions necessary to establish an ongoing business on a reservation.[11] The uniqueness of Indian reservations and the Bureau's responsibilities for Indian development cause many special problems that must be solved before a business can become operational. All these problems are coordinated through the Division.

Coordination of Development

Because of the trust responsibility of the Bureau, development of an enterprise on Indian lands requires action by several Divisions of the Bureau before ICDP, the tribe, or outside entrepreneurs can proceed with development activities.

There is no typical program for development of a business endeavor on Indian lands. However, a review of the flow of activities required to start one enterprise, which according to one Bureau official[12] was a simple project encountering no unusual problems, will provide an insight into the problems of becoming operational.

In establishing plants on reservations, there are three major elements involved: (1) the client, (2) the tribe, and (3) the operational facility. Standing between these elements are the Bureau and other agencies necessary to the creation of an ongoing concern on Indian lands.

The activity starts with an exchange of information between the client and the Bureau. In this case, 53 days were used to complete negotiations. The flow from client to tribe goes through ICDP and back until initial plans are satisfactory to both parties.

ICDP must then work through various Bureau offices to coordinate the activities, getting approval for leases from Real Property Management and Real Estate Appraisal; approval from Employment Assistance for training funds when required by the enterprise; and approval on credit arrangements.

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[10] *Ibid.*

[11] *Ibid.*

[12] *Statement of G. Gordon Evans, Division of Industrial Development, Bureau of Indian Affairs, personal interview, August 17, 1971.*

These actions in this project required 15 days. Establishment of training programs and training of individuals required 132 days, being coordinated through the office of Employment Assistance. Other actions by the Bureau, the tribe, and the entrepreneur required 138 days.

A review of activities showed an elapsed time of 191 days between the opening of negotiations and the starting operations of the enterprise. Several firms whose histories are included in appendix B have shown a longer period of time elapsing between initial negotiations and beginning operations. However, each of these entities was coordinated through the Bureau, although not always through the Central Office in Washington.

The current structure of the Bureau often places Area Directors of the 11 Areas between the program director in the Central Office and the Agency personnel or tribal officials. This provides a means of coordinating activities necessary to establish a business activity on a reservation. If there is a breakdown in coordination and the decision authority is moved down to the Area or Agency level, several problems can arise.

For example, Economic Development Administration (EDA) regulations require their projects be developed with local officials.[13] In dealing with Indians, this is most often interpreted as tribal officials.[14] Nevertheless, EDA requires Bureau approval of projects before EDA approval is granted. The Bureau does not always require that a proposed project be fully reviewed by a development specialist. This may allow an individual without the necessary experience or qualifications to have final approving authority for highly technical projects.[15] It has caused the occurrence of serious mistakes, creating unnecessary problems to tribes and ICDP. An excellent example of this happened in Arizona.[16]

In Parker, Arizona, plans were formulated for development of an industrial park. The project, costing $350,000, was approved by Area officials for location on the north side of a railroad and a principal highway. If the park had been developed on the south side of the road, where an Indian-owned site containing an industrial building formerly occupied by the Parker Textile Company was located, many future problems could have been alleviated.[17]

[13] *Ibid.*

[14] *Ibid.*

[15] *George Hubley, Jr., op. cit.*

[16] *Ibid.*

[17] *Company history file, Prest Wheel, Inc. (Industrial Development Division, Bureau of Indian Affairs, Washington).*

As a result of inadequate coordination and planning, a separate project was required to construct a railroad spur to the existing building when the building was again utilized by a firm as a manufacturing facility.[18]

The strained relations between the tribe and the management of the new enterprise could be traced to the delays caused by the time involved in arranging for and building the spur.

Although problems such as this may occur, the Area Office development personnel are located nearer the reservations and, because of the isolated location of many reservations, may well be better informed on local conditions than Central Office personnel.

Reservation Locations

The majority of Indian reservations of the United States are in isolated areas of the Western half of the country, with Arizona, New Mexico, and Montana having the greatest area of Indian lands.[19] (A map of Federal Indian reservations is included on the following page.) Excluding Oklahoma, which has no actual reservations but is heavily populated with Indian people,[20] the States of Arizona (115,002), New Mexico (76,835), and South Dakota (29,707) have the heaviest Indian population.[21]

The location of many reservations has acted as a deterrent to attracting industry to the reservation areas.[22] Lack of transportation facilities or nearby markets often makes it difficult for Indian people or the Bureau to make an offer of added inducements for an industry to locate where it is most needed to improve the economic status of the population.[23]

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[18] *Ibid.*

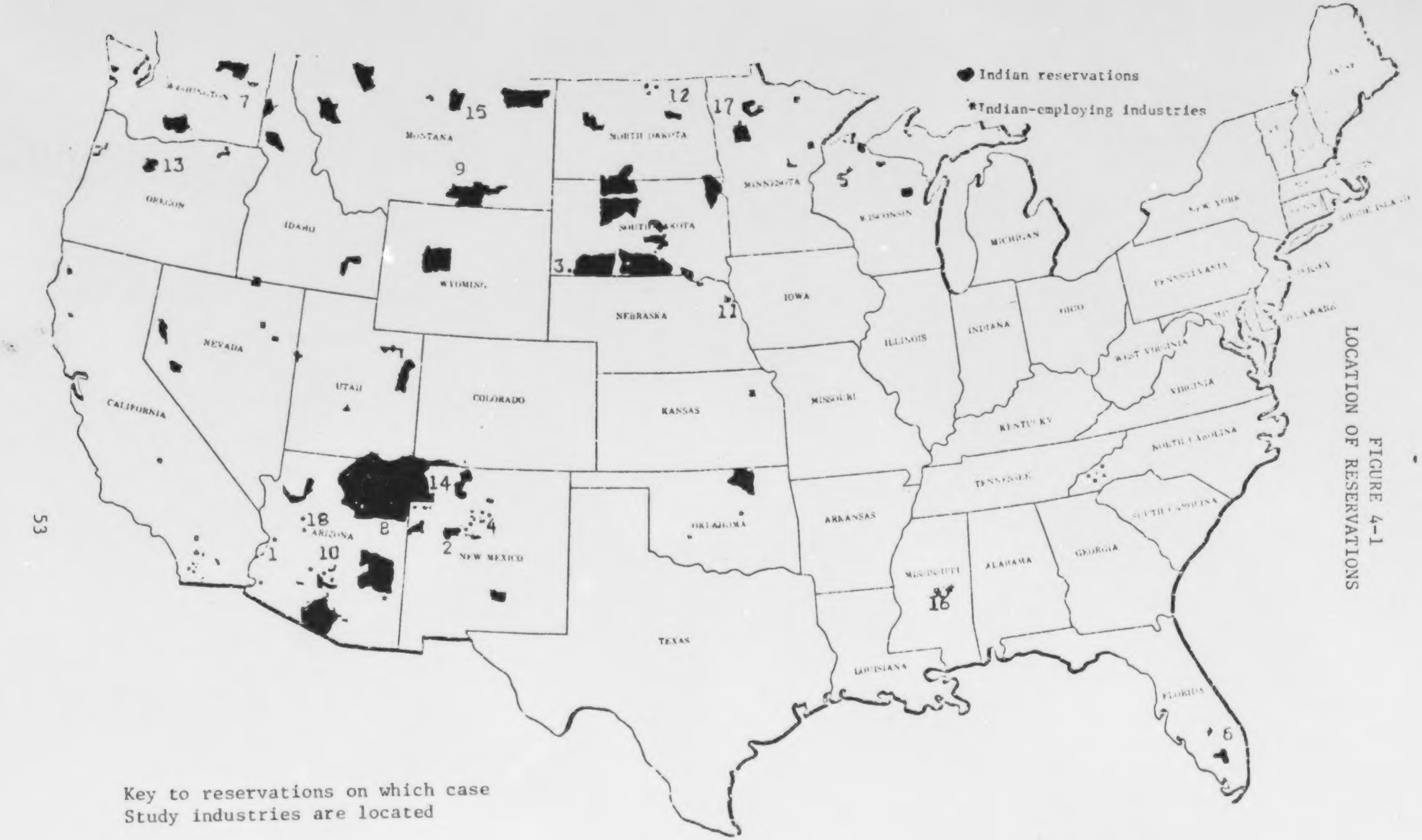
[19] *William A. Brophy and Sophie D. Aberle, The Indian, America's Unfinished Business (Norman, Oklahoma: University of Oklahoma Press, 1966), pp. 215-216.*

[20] *Based on personal correspondence between J.B. Ray, Industrial Development Specialist of the Muskogee, Oklahoma, Area Office, Bureau of Indian Affairs, and the writer.*

[21] *Theodore W. Taylor, The States and Their Indian Citizens (Washington: Government Printing Office, 1972), p. 176.*

[22] *James M. Murray, Industrial Development on Indian Reservations, Upper Midwest (Moorhead, Minnesota: The Upper Midwest Research and Development Council, 1969), p. 6.*

[23] *Ibid., p. 23.*


Indian reservations
Indian-employing industries
WASHINGTON
OREGON
CALIFORNIA
NEVADA
IDAHO
MONTANA
WYOMING
UTAH
ARIZONA
COLORADO
NEW MEXICO
NORTH DAKOTA
SOUTH DAKOTA
NEBRASKA
KANSAS
OKLAHOMA
TEXAS
MINNESOTA
IOWA
MISSOURI
ARKANSAS
LOUISIANA
WISCONSIN
ILLINOIS
MISSISSIPPI
MICHIGAN
INDIANA
KENTUCKY
TENNESSEE
ALABAMA
OHIO
GEORGIA
FLORIDA
WEST VIRGINIA
VIRGINIA
NORTH CAROLINA
SOUTH CAROLINA
PENNSYLVANIA
NEW YORK
NEW JERSEY
DELAWARE
RHODE ISLAND
MAINE
1
2
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4
5
6
7
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9
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FIGURE 4-1
LOCATION OF RESERVATIONS

Key to reservations on which case
Study industries are located

1. Colorado River, Ariz.
2. Laguna, N. Mex.
3. Rosebud, S. Dak.
4. Santo Domingo, N. Mex.
5. LacCorte Orielles, Wisc.
6. Seminole, Fla.
7. Spokane, Wash.
8. Navajo, Ariz.
9. Crow, Mont.
10. Gila River, Ariz.
11. Winnebago, Neb.
12. Turtle Mountain, N. Dak.
13. Warm Springs, Ore.
14. Navajo, N. Mex.
15. Ft. Belknap, Mont.
16. Choctaw, Miss.
17. Red Lake, Minn.
18. Camp Verde, Ariz.

The problem of geographic disadvantages has further been compounded by an almost continuous lack of adequate sources of credit[24] and sufficient tribal capital to attract financing for industrial development. Federal funding programs have been many and varied with each making a contribution to the efforts of the ICDP.

Financial Programs

The communities, which are considered the center of reservation life, seldom have commercial banks or other conventional financial institutions.[25] As a consequence, financial resources available to firms locating on the reservations are not often typical of firms in the rest of the Nation. One of the most obvious differences is that part of the financing is often provided by the tribe. Seven of the 15 companies studied in depth had tribal funds invested. (See table 4-1, page 55.)

Indians are limited in sources from which they can obtain capital financing and working capital necessary to establish and operate a large-scale industry.[26] Because of the peculiar legal status of Indian lands, commercial banks often refuse to advance capital to Indians,[27] since trust land cannot be used for security.

The primary source of funds from which the Indians could obtain loans had been the Revolving Loan Fund. This fund has been fully subscribed in recent years and has almost no funds available for making loans.[28] Therefore, if a tribe wished to establish a business, another source of funding had to be found.

Tribes that have not been able to accumulate funds often have only land and labor available. Thus, the Bureau has had to assist them in getting funds from other Federal agencies that have funds available to make loans or grants to Indian tribes or individual Indians wishing to start a business. The major programs available have been the:

[24] *Keeler, op. cit., pp. 12-13.*

[25] *Murray, op. cit., p. 48.*

[26] *Murray, loc. cit.*

[27] *Henry W. Hough, Development of Indian Resources (Denver: World Press, Inc., 1967), p. 262.*

[28] *Alan L. Sorkin, American Indians and Federal Aid (Washington: The Brookings Institution, 1971), p. 70.*

TABLE 4-1

SOURCE OF FUNDS FOR CAPITAL FINANCING OF SELECTED FIRMS

FIRM	A.R.A.	TRIBAL	COMMERCIAL	EDA LOANS	EDA GRANTS	OEO GRANTS	PRIVATE	I.B.D.F.	SBA LOANS
PARKER TEXTILE COMPANY	$351,087	$ 54,014	$108,027(b)				$200,000		
BURNELL & COMPANY, INC.		$500,000							
FIRESTEEL LUMBER COMPANY		$ 40,000	$400,000(a)	$617,000			$915,000		
FAIRCHILD SEMI CONDUCTOR DIVISION				$463,000(b)					
SUNTEX VENEER							N/A		
IOWA MEAT PRODUCTS INC.							N/A		
OMNI-LABS INC.							N/A		
FT. PECK TRIBAL INDUSTRIES		$ 35,000				$40,000			$200,000(a)(b)
CHATA ENTERPRISE			$366,482(b)		$320,000			$50,000	
BIG HORN CARPET MILLS		$165,000	$220,000(b)	$715,000(b)			$200,000		
GENERAL DYNAMICS INC.		$800,000							
BARRON CONTAINER CORPORATION					$768,000		$600,000		
WARMS SPRING ASSY. PLANT							N/A		
TURTLE MOUNTAIN INDUSTRIES*		$ 1,000							
FT. BELKNAP BUILDERS			$350,000(b)						

Key

(a) Government Guaranteed Loan
(b) Loan to Tribe
* This Firm Also Had $10,000 Loan From the Revolving Fund

Source: Compiled by the author from data contained in case histories included as appendices B-1 through B-18

1. Area Redevelopment Act of 1961.
2. Office of Economic Opportunity.
3. Economic Development Administration.
4. Small Business Administration (SBA-8).

Each of the programs has been used by both the Bureau and the tribe as a means of financing various enterprises. These programs varied with their content and implementation by the tribes and the Bureau. Each is discussed below.

Area Redevelopment Act of 1961. As was discussed in Chapter 3, page 46, the Area Redevelopment Act of 1961 established a means for the Bureau to fund many studies needed to establish a sound program for development of reservations. In addition to the funding of the studies, the ARA also provided loan monies to firms wishing to establish a business in a reservation area. It approved and provided financing for development of eight enterprises to be located on or near Indian lands. Seven of these loans were made to firms included in this study. One of the companies granted a loan (Dickson Electronics, Arizona) never established a plant, nor did it utilize any funds.

Companies granted loans established plants ranging from a large lumber facility, an electronics firm, to a textile weaving plant. Although two firms defaulted on loans amounting to a total of $490,000, the other enterprises are still operational, enjoying varied levels of success and employment.

During the comparatively short life of ARA (1961-1965), $7,015,000 was authorized for use in the development of industries in reservation areas. However, only $2,855,000 was actually dispensed to the firms.[29]

Office of Economic Opportunity. The Office of Economic Opportunity (OEO) provided loans and grants for community development and training. Often tribes were successful in getting OEO grants to provide for training of tribal members. One such case is that of the Zuni Tribe in New Mexico.

In late 1966, the tribe started a training program with a $208,741 grant from the OEO, approved during the summer. A craftsmen's cooperative formed to help expand the range of Zuni jewelry-making skills and to teach Zunis marketing techniques.

Although many Zunis are skilled in the art of silversmithing, others have only marginal skills and training. Under the new training program, 40 less experienced men were trained to increase the quality and quantity of their production.

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[29] *Area Redevelopment Administration, The Annual Summary of Approved Projects (Washington: Department of Commerce, 1965).*

Because almost every Zuni family has at least one member who works in some part of jewelry production, increased income from this source would be of broad-gauge benefit to the entire Pueblo.

Formulation of a making-and-marketing cooperative is also expected to preserve traditional skills which have been dying out because of the limited income derived by individual craftsmen who have no part in the marketing of their wares.[30]

Funds and programs available for training of a labor force were adequate. However, a need existed for a source of funding that would make it possible for tribes and firms needing investment capital to obtain it. The Public Works and Economic Development Act of 1965 has been used extensively for this puppose.

The importance of this act to the Bureau's ICDP makes it advisable to present its provisions in some detail.

Economic Development Administration. The Public Works and Economic Development Act of 1965, which became law on August 26, 1965, seemed to offer an opportunity to obtain capital financing for the ICDP. The preamble laid the foundation for the act to be used in developing Indian lands. It stated that the act was:

> To provide grants for public works and development facilities, other financial assistance and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically depressed areas and regions.[31]

Title I of the act authorizes grants for public works and development of facilities to States, a political subdivision thereof, Indian tribes, or private or public non-profit organizations or associations representing any redevelopment area. The monies must be used for specific purposes, such as acquiring or developing land and improvements for public works; developments of facility usage; and the acquisition, construction, rehabilitation, alteration, expansion, or improvement of such facilities, including related machinery and equipment within an area designated as a redevelopment area. The project for which funding is sought must directly or indirectly tend to improve the opportunities in the area in which the activity is to be located. This section of the act specifically deals with the establishment of industrial or commercial facilities, or the expansion of existing facilities in the assistance of creating long-term employment opportunities in the area.

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[30] *Indian Record, Department of the Interior, December 1966, p. 2.*

[31] *Public Law 89-136 (1965).*

Title II provides for purchase by EDA of existing indebtedness of facilities. It further authorizes making of loans for the purpose of assisting in the improvement of opportunities for development of industrial and commercial enterprises. These entities must provide long-term employment or primarily benefit the long-term underemployed or low-income families. Section 202 of this title specifically includes Indian tribes as eligible applicants for such assistance.

Title IV, "Area and District Eligibility," establishes a proviso that Federal or State Indian reservations and trust or restricted Indian-owned land areas which manifest great degrees of economic distress, on the basis of unemployment and income statistics and other appropriate evidence of economic underdevelopment, can be designated as redevelopment areas and thus qualify for all benefits provided by the act. Indian tribes which had been unable to attract industries, with or without Bureau assistance, could now start to program the development of their lands.

Provisions of the act made it possible for the Bureau to move forward in assisting tribes in developing business enterprises. Lack of capital financing was somewhat alleviated. It was also now possible for the tribes to seek out loans from commercial sources under the loan guarantee provisions of the act. This tended to enhance the opportunities for the Indians to attract industries to their lands.

The ARA and EDA programs have become an integral part of the total financing program available to the tribes. However, these programs are primarily designed to assist in attracting industry to locate on reservations. The Small Business Administration (SBA) program extended a further opportunity to tribes wishing to take advantage of its provisions.

Small Business Administration. The Small Business Administration program and its provision for the SBA's unique authority to become a Government prime contractor, yet subcontract the performance, was inactive until early in 1968 when it was activated to permit defense contracts to be placed with firms[32] cooperating in the national program to provide jobs for minority "hard core" unemployed.

In 1969, the objective was refocused on SBA's more specific mission --to increase minority-owned enterprises. This program had two parts: part one, to promote the development of wholesale, retail, and franchise operations; and part two, the promotion of operations oriented toward manufacturing or service functions.

[32] *Small Business Administration, Developing Indian Owned Businesses (Washington: Small Business Administration, 1970), SBA pamphlet; SBA Background Documents, Background Statement on SBA's Program to Promote More Minority Participation in Productive Enterprises and Status of 8(a) Contract Negotiations, April 1969.*

The authority contained in section 8(a) of the Small Business Act allows the SBA to take and to place Government contracts. In essence, it allows SBA to negotiate prime contracts with Government purchasing agents at such prices, terms, and conditions as the agencies may agree upon. The authority contained in section 8(a) makes it possible to depart from conventional regulations governing prime contractors and eliminated conditions imposed by procurement laws normally applied to Government agencies. It makes it possible for SBA to enter into contracts with new or established business firms, using sole-source negotiation techniques to ascertain that the contract was placed with the specific firm to be assisted in the program objective.

With the change of program direction from emphasis on employment to emphasis on entrepreneurship, the program provides some elements of assurance of success to a minority business venture. In this respect, the Government subcontract becomes the "seed" used for founding or expanding the enterprise. A critical element required for participation in the program is long-range planning by the minority party concerned.

The long-term objective of the firm must be independence from need for further Government assistance. There must be some evidence that the company has the ability to grow and prosper in a normal competitive environment; thus, submission of acceptable plans is one of the conditions of SBA contract support. Acceptance of the plan obligates SBA to provide contractual as well as financial and management assistance expressed in the approved plan. As a condition to approval, SBA must have a "drawing account" of prime contract commitments from Government procurement agencies having both need for the product or service and the authority to place contracts with SBA. Procurement agency cooperation is essential to the operation of the program.

SBA recognizes that both managerial and financial assistance is essential to the operations of new and growing firms. Thus, while wholly owned minority enterprises occupy the highest priority in SBA's planning, SBA also accepts divestiture arrangements by large firms. These firms, in order to participate in minority programs, must agree to create minority-owned companies which they are willing to assist through the early stages of development and subsequently divest themselves of all financial interest and control. The minority party then assumes full control over the business operations.

The requirements for program participation could often be met by an Indian enterprise, and the Bureau encouraged such participation. One of the early contracts let by SBA under this program was made to a tribally owned enterprise formed to take advantage of contracts of SBA. This enterprise, Fort Peck Tribal Industries, operated under contract for the reconditioning of rifles for the Department of Defense. The history of this firm is included as appendix B-10.

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The need for loan capital available from the Bureau had been apparent for many years.[33] In 1967, the Bureau submitted proposed legislation titled "The Indian Resources Development Act." This omnibus bill became known as H.R. 10560. The bill was an extremely comprehensive program which was believed to be essential to the efforts being made to alleviate the economic problems of the Indian people. Although this proposed legislation failed to gain the approval of Congress, its provisions are considered to be important to the study of Indian economic development. Therefore, the major provisions of this bill are included as appendix A.

The failure of H.R. 10560 to win congressional approval led the Bureau to acquire funds for promoting individual entrepreneurship. The Bureau introduced its Indian Business Development Fund in 1970.

Indian Business Development Fund. Lack of capital has long been one of the deterrents to the development of Indian-owned business enterprises. The Bureau attempted to alleviate this problem through implementation of the newly introduced Indian Business Development Fund (IBDF), established by the Bureau in November 1970 under authority contained in the Snyder Act of 1921. The provisions of IBDF are briefly as follows:

1. The IBDF is a new grant program aimed at increasing business ownership, entrepreneurship, income, and employment for Indians. Its substance is to provide a readily available source of initial capital, on a grant basis, to Indian individuals, tribes, and associations for establishing business enterprises of a permanent nature on or near reservations. Grants will not be proffered in cases where financing can be obtained without grant assistance.

2. The program is designed to be administered, insofar as possible, at the point where the business is to be established. However, the Central Office of the Bureau may make direct grants if funds are not available at the agency level.

3. The Central Office is responsible for overall administration of the fund, with the Division of Economic Development serving as an automatic review authority for all grants refused at the local level.

4. The maximum grant shall not exceed 40 percent of the total development costs of the project or enterprise unless approved by the Associate Commissioner for Education and Programs.[34]

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[33] *Bureau of Indian Affairs, Evolution of the Indian Industrial Development Program (Washington: Department of the Interior, 1969), pp. 2-3.*

[34] *Extracted in part from Bureau of Indian Affairs Manual (BIAM) Release 80-3 (Washington: Department of the Interior, Bureau of Indian Affairs, 1970) (Unpublished).*

The Division of Economic Development, Bureau of Indian Affairs, immediately integrated this program into the overall ICDP efforts to develop Indian-owned enterprises.

One of the earliest IBDF applications resulted in the development of the Chata Construction Company, an Indian-owned enterprise established in the newly opened Chata Industrial Park located near Philadelphia, Mississippi. A history of the short life of this firm is included as appendix B-11. During the first year of operations, the IBDF provided seed money for some 112 Indian-owned enterprises.[35]

This program was not funded for the 1973 fiscal year. The short period of time it existed precludes making an analysis of the success of such a program as it relates to developing businesses that will continue to remain operational and enjoy a level of success necessary to earn profits without further subsidies from the Bureau.

While IBDF failed to get funding for future operations, the "Emergency Employment Act of 1971"[36] authorized the expenditure of $1 billion in fiscal year 1973 to provide unemployed and underemployed persons with:

> . . . Transitional employment in jobs providing needed public services during times of high unemployment and whenever feasible, related training and manpower services on reservations, employment and training not supported by this act.

The Department of Labor announced in September 1971 that Indian tribes would be allotted $8.4 million of these funds.[37] If they can be applied to the establishment of entities which will be used to construct additional highways, utilities, and other needed services on reservations, the funds could well enhance the opportunities for tribes to establish successful business endeavors.

Development of enterprises that can operate without continued assistance from the Bureau has been one of the basic goals of the ICDP. This goal has not always been attained; however, the number of businesses established since the Bureau has emphasized its program to attract industries to reservations, or to develop Indian businesses, has been in excess of 200, despite the problems encountered during the period.

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[35] *John Abrahamson, "Progress Report of Indian Business Development Fund" (Washington: Bureau of Indian Affairs, 1972) (Duplicated), p. 1.*

[36] *85 Stat. 154 (1971).*

[37] *Department of Labor, Press Release of September 28, 1971.*

PROBLEMS OF THE PROGRAM

As has been seen, problems related to capital financing were significantly reduced with implementation of the provisions of the EDA, SBA, and IBDF programs. The other problems mentioned will now be discussed in some detail and in the order presented.

Internal Funding

With approximately 90 percent of funds appropriated for ICDP activity being expended for salaries of individuals involved in promoting development of industrial and commercial enterprises,[38] it is evident that the drop in appropriations for IDCP from $705,900 in 1965 to $694,000 in 1966 (table 3-1, page 39) caused a loss in personnel. This did not seem to be in keeping with the intent of the Bureau to place greater emphasis on the individual program.

Appropriations rose to $2.1 million in 1971. However, this amount is rather insignificant in comparison with other appropriations and expenditures of the Office of Economic Development and the appropriations for resource management programs of the Bureau.

In 1970, the ICDP was allocated $1.3 million of the total budget of $23.6 million of the Office of Economic Development, about one-half percent. It is difficult to equate the value of programs; however, it appears that many programs have received greater funding for resource management than has ICDP for development. Expenditures in fiscal year 1969 for soil and moisture conservation were $5.7 million; agricultural assistance, $8.8 million; and development of Indian arts and crafts, $569,000--almost half as much as ICDP.[39]

The small appropriations have not seemed to deter the program, although there is no means of measuring what might have been accomplished had larger sums been available. Lack of funds, however, has acted as a deterrent to development of a promotional program which could be used as a means of making industry aware of the opportunities that exist for locating on Indian reservation.[40]

[38] *As stated by Clark Stanton, Bureau of Indian Affairs, personal interview, April 3, 1972.*

[39] *Bureau of Indian Affairs, "Plan - Indian Economic Development," Memorandum from Chief, Industrial and Tourism Development, to Acting Director of Economic Development (Washington: Bureau of Indian Affairs, 1971) (Duplicated).*

[40] *Ibid.*

Although the Bureau has promoted the ready availability of a labor force to attract industry to the reservations, problems have been encountered in training and keeping the Indian labor force working after being trained.

Indian Labor Force Problems

The ready availability of a labor force does not always assure a tribe that it will be able to attract an industry to locate on a reservation, or that the tribe can start a business that will have any assurance of being successful. The labor force must be trained. As shown in the case studies, especially Big Horn Carpet Mills, General Dynamics, and Fairchild Semiconductor Division, it is often necessary to enter twice the number of persons in training as are going to be employed on a full-time basis.

Training of individuals is a costly proposition. Unless funds can be obtained to conduct training programs for Indian people, a firm may well decline to locate a facility on a reservation. In one instance, a major electrical firm elected to locate in Mexico rather than on a reservation.[41] Cited as the reason were labor costs involving initial training of a labor force on a reservation, as well as continuing labor costs incurred through payment of minimum wages, as required by law, regardless of productivity.

In addition to the problem encountered in having a well-trained labor force, many firms have experienced an exceptionally high turnover of labor during the early phases of operation. Some firms have not been able to attract and keep Indian employees.

For example, Big Horn Carpet Mills employed over 200 Indian people before they were successful in getting 50 employees who were fully reliable and wanted to work. Another firm, Amphenol Corporation, originally employed 39 Indians. Apparently because of apathy among the Indians, the Indian labor force has dropped to 11.[42]

Many of the employment problems are being overcome; however, it is taking the combined efforts of the Bureau, tribal leaders, and the Indian workers themselves.

Here it must be acknowledged that there are many and varied tribal cultures, religions, governments, and social attitudes that directly affect the Indians of the tribes.

[41] *Quoted by Larry Schneider, Industrial Development Specialist, Bureau of Indian Affairs, from letter of the company involved. Firm does not wish to have public disclosure of letter's total content. Personal interview, January 8, 1973.*

[42] *See appendices B-12 and B-8, respectively.*

For sake of added clarity about some of the Indian labor problems, let us investigate very briefly some of the aforementioned subjects. A short discussion of each should be sufficient for purposes of this dissertation.

Tribal governments. There is a vast variation in the forms of tribal governments existing on the reservations of the American Indians.[43] As has been previously mentioned, many of the tribes took advantage of the Reorganization Act and formulated their own tribal constitutions and bylaws.[44]

The individual Indian residing on the reservation is subject to the laws of the tribe as set forth by that constitution.[45] In some instances, this means that he may not be able to go into business without tribal consent, may not be able to get land upon which to establish the business he so desires because of cultural attitudes of certain tribal members.[46]

Culture and religion. The Meriam Report of 1928 recommended that the philosophy of forced acculturation of the Indian be terminated.[47] Rather, it recommended that programs consider and recognize Indian social, religious, and ethical concepts. This is true today.

Development of an economic endeavor that is industrial in nature may well not be readily accepted by all members of the tribe. The traditionalist who desires to retain the "old ways" may resist such activities.[48] This resistance may well deter the success of the endeavor.

It has been this writer's experience that employers have adopted labor policies that allow workers to observe religious holidays, although they may conflict with the religious majority. This has been true in the case of many minority religions in the Nation.

Thus, firms locating on reservations must recognize that many Indians will wish to practice their religion and culture while they also try to improve their standard of living through work in the plants.[49] Therefore, a blending of cultures, without destruction of either, may be a necessary goal for which to strive.

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[43] *Brophy and Aberle, op. cit., pp. 24-61. This section of Brophy and Aberle's book provides an excellent coverage of Indian tribal government of today.*

[44] *Taylor, op. cit., pp. 22-26.*

[45] *Ibid., p. 22.*

[46] *Ibid., p. 145.*

[47] *Lewis Meriam and Associates, The Problems of Indian Administration (Baltimore: Institute for Government Research, Johns Hopkins Press, 1928), p. 22.*

[48] *Brophy and Aberle, op. cit., pp. 6-9 and 63-65.*

Social attitudes

As has been seen, there are differences in attitudes toward adjusting to non-Indian pursuits. There are problems in adjusting to non-Indian social customs. Many Indians continue to cling to a number of their customs and traditional views, and even some college-educated Indians have doubts about non-Indian ways.[50]

Several reservations have been seriously divided in their attitudes toward acceptance of non-Indian customs.[51] Many Indians resist any change in their society and have refused to receive amenities that acceptance of change might bring. Others have desired and pushed for changes in their social conditions, including changes in government structure and cultural ways of life.

SUMMARY

In this chapter, the types of financing programs used to promote development of industrial endeavors on the reservations have been discussed. It can be seen that the need for capital financing has been a problem to tribes wishing to establish industry on their reservations. It has also acted as a deterrent to the Bureau's efforts to promote development of industry in Indian areas. However, the Bureau has taken steps to alleviate this problem, although without complete success.

It has also been shown in this chapter that other difficulties have been encountered by the tribes, the Bureau, and industries locating on reservations. These have not been insurmountable, but they have been factors which must be considered in establishing an industry that will provide long-term employment to Indian people.

In the following chapter, specific enterprises, their successes and failures, and the total number of industries established through the efforts of the ICDP will be studied.

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[49] *Patrick J. McGarvey, "Industry-Indian-Government Joint Efforts Cut Welfare Costs and Revive Local Economy,"* Government Executive *(September 1969), p. 54.*

[50] *Taylor, op. cit., p. 146.*

[51] *Ibid., p. 147.*

Chapter 5

STUDY OF INDUSTRIES ESTABLISHED

The change in emphasis from "termination" to development of Indian resources placed much of the responsibility for such development on the Division of Economic Development. Prior to the change in emphasis, 11 industries had been located on reservations included in this study; however, by 1965 this number had grown to 66, with 1964 being the year of greatest increase.[1] (See table 5-1, pages 67 and 68.)

Establishment of plants on Indian reservations was pioneered by two firms which are still in operation on the reservations: Simpson Electric Company and Bulova Watch Company.

Simpson Electric Company, a division of American Gage and Machinery Company--manufacturers of small electric assembly items located on the Lac du Flambeau Reservation, Wisconsin--was the first firm to establish a plant on an Indian reservation when its facilities were opened in May 1946. Currently, after 25 consecutive years of operation, this firm employs a total of 210 persons. Of this total, 105 are Indian,[2] constituting approximately 33 percent of the 300-person reservation labor force.[3]

The Bulova Watch Company established a jewel bearing plant at Rolla, North Dakota, in 1953. The plant, now known as the William Langer Plant, was the second industrial enterprise to be located on an Indian reservation. It started operations in 1953 with about 65 employees and is still operational, currently employing 165 persons. Of these, 119 are Indians,[4] constituting about 15 percent of the total employed on the reservation.[5]

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[1] U.S., Congress, House, Committee on Appropriations, Department of the Interior and Related Agencies Appropriations for 1967, Hearings before a subcommittee, 89th Cong., 2nd Sess., February 7, 1966 (Washington: Government Printing Office, 1966), p. 279.

[2] Compiled from case history of Simpson Electric Company (case files in Division of Economic Development, Bureau of Indian Affairs, Central Offfice, Washington, D.C.). All cases are filed under name of firm and location.

[3] Bureau of Indian Affairs, "Summary of Reservation Studies and Analysis" (Washington: Department of the Interior, 1969) (Duplicated), pp. A62-A63.

[4] Bureau of Indian Affairs, "Employment in Industrial and Commercial Enterprises Established in Indian Labor Force Areas, 1971" (Washington: Bureau of Indian Affairs, 1971)(Duplicated).

[5] Bureau of Indian Affairs, Summary of Reservation Development Studies and Analysis, op. cit.

TABLE 5-1

BUSINESS ESTABLISHED IN INDIAN LABOR FORCE AREAS WITH I.C.D.P. ASSISTANCE (1961-1971)

State	1961	1962	1963	1964	1965	Total
Arizona	1	1	4	2	0	8
Colorado	0	0	0	1	0	1
Idaho	0	1	0	1	1	3
Iowa	0	1	0	0	0	1
Minnesota	0	1	2	2	2	7
Mississippi	0	0	1	1	0	2
Montana	0	1	2	1	0	4
Nebraska	0	0	0	1	0	1
New Mexico	0	1	0	7	2	10
North Dakota	1	2	0	2	0	5
Oregon	0	0	0	1	0	1
South Dakota	1	0	0	2	1	4
Wisconsin	0	2	4	1	1	8
TOTAL	3	10	13	22	7	55

NOTE: Prior to 1961 a total of 11 plants had been established with the assistance of I.C.D.P.

SOURCE: Compiled from unpublished B.I.A. quarterly reports of "Industrial and Commercial Enterprises Established on or near Reservations."

TABLE 5-1 (Continued)

State	1966	1967	1968	1969	1970	1971	Total
Arizona	3	13	11	7	4	13	51
Florida	2	0	1	0	0	0	3
Idaho	1	0	0	0	0	0	1
Michigan	0	0	0	0	1	0	1
Minnesota	1	1	2	0	0	0	4
Mississippi	0	0	0	0	1	0	1
Montana	2	1	3	6	3	4	19
Nebraska	0	2	1	1	1	1	6
Nevada	0	0	1	2	0	1	4
New Mexico	1	1	1	4	3	0	10
New York	1	0	1	0	0	0	2
North Dakota	2	1	1	1	1	2	8
Oregon	0	1	0	1	0	0	2
South Dakota	2	4	4	3	1	3	17
Utah	0	0	0	1	1	2	4
Washington	1	1	1	0	1	1	5
Wisconsin	2	0	0	1	0	0	3
Wyoming	0	1	1	0	0	0	2
TOTAL	18	26	28	27	17	27	143

NOTE: Prior to 1966 a total of 55 plants had been established with the assistance of I.C.D.P.

SOURCE: Compiled from unpublished B.I.A. Quarterly reports of "Industrial and Commercial Enterprises established on or near reservations."

Since 1961, the Bureau has used many marketing techniques, such as promotional literature, visitations with prospective corporation executives, advertising in selected media, and meetings with tribal leaders to extol the benefits to be derived from establishment of industries on reservations. Results of the Bureau efforts are studied in the following pages.

STUDY OF INDUSTRIES DEVELOPED (1961-1971)

The number of plants and facilities developed precluded a full investigation of each firm and the impact its establishment had on the reservation area where the location took place. Rather, it was determined that a randomly selected group of firms would be studied. These enterprises, which were identified in chapter 1, were studied in as great depth as available data would permit.

The data used came from two major sources: (1) case files of the Bureau and other Federal agencies, and (2) a questionnaire prepared for the purpose of obtaining information from tribal officials.

Cost Data

Primary sources of data were case files in the Central Office and records maintained by field offices of the Bureau and other Federal agencies involved in development of industries in Indian areas. These data are incorporated in the full case studies included as appendices B-1 through B-18.

Questionnaire Development and Use

In addition to data in the Bureau and other Federal agencies, two questionnaires were used to obtain information from tribal officials and Indian employees. The answers provided relevant data that were not available from the Bureau or other available sources. As a supplementary source, the questionnaires were not subject to the rigorous sampling controls that would have been applied had they been the sole source of data used in the study.

They provided the most effective and economical means of contacting tribal officials and employees on reservations where the firms selected for study were located. They also were a means of gathering information about enterprises which were not selected for in-depth study. Development and use of the questionnaires are described in subsequent paragraphs in the following order: (1) developing and refining the questionnaires, (2) conducting the survey, and (3) using the data.

Developing and refining the questionnaires. The questionnaires were developed to provide supplementary data in studying development of industrial and commercial establishments in reservation areas. Questions were designed to solicit data on the role of the tribes and the Bureau in the establishment of industries, method of financing such developments, employment patterns of the firms, the influence such developments have had on other enterprises, and the opinion of the tribal officials on the importance of the firms to the reservations.

Although most of the data gathered are available, in general form in the Central Files of the Bureau or other Government agencies, these files do not for the most part include information gathered directly from tribal leaders. Several of the questions relate to income and employment patterns of specific firms. These data are either not present in Bureau files or are not current. In the case of income data, very little is available from Bureau records. Thus, information gathered from these questions is incorporated in the case studies of the firms where pertinent. In instances where information has been collected from companies not under direct study, the data are included as a part of general analyses of the ICDP.[6]

Several questions solicit information as to service enterprises established as a result of industrial facilities locating on the reservations, planning for new industrial development, and the need for and value of business enterprises on reservations. They also request opinions of the value of the Bureau program in getting businesses established.

Conducting the questionnaire survey. After the questionnaires were pre-tested and appropriate changes made, they were reproduced and mailed to the tribal chairman and employment assistance office of each tribe upon whose reservation one of the industries selected for study was located. In addition to the selected firms, an additional mailing was made to 12 reservations where industries or businesses had been developed with Bureau assistance.

On March 15, 1973, 30 Industrial Development and 200 Employee Questionnaires were mailed. By May 15, 1973, 22 Industrial Development Questionnaires (73 percent) had been returned. Since 14 of these related to the 18 firms under study (77 percent), a second mailing was not undertaken.

A total of 66 of the 200 Employee Questionnaires were returned. Of these, 14 were found to be invalid because of duplicated answers or other discrepancies. However, a rate of over 25 percent of useful questionnaires was deemed adequate, since the data from both questionnaires were to be used only for supplemental data incorporated in the general analyses of ICDP.

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[6] *See Appendix D (Industrial Development Questionnaire and Employee Questionnaire) for a review of specific questions and a summation of responses to each question.*

Using the data. Since the primary purpose of the questionnaire was to provide supplementary data, the information is used to disclose facts that were not available in the files studied. It is further used to express the opinions tribal leaders have about the value of developing industrial and commercial enterprises on the reservations.

A full summary of the questionnaire responses is included in the latter part of this chapter.

Since the volume of industries varied during the decade, the analysis is presented using two periods: 1961 through 1965, and 1966 through 1971.

1961-1965 Development

Emphasis during this period appears to have been on attracting firms that could use the natural resources and/or natural abilities of the Indian people. Fourteen of the enterprises established were based on lumbering activities or the fabrication of wood products; eight were oriented to the fabrication of textiles and garments; eight were arts and crafts firms; while only three were precision manufacturing type companies. The remainder were made up of a variety of endeavors which attempted to utilize the resources and skills of the Indians.

Indians of New Mexico, Arizona, and Wisconsin enjoyed the greatest increase in the number of enterprises established on or near their lands during the period. According to the 1960 census report, each of these States had a large Indian population (New Mexico, 52,188; Arizona, 81,924; and Wisconsin 5,322) and little if any industry located near enough to Indian lands to offer employment opportunities on a permanent basis. Many other States also had new enterprises established in their States as a result of the Bureau's Industrial and Commercial Development Program (ICDP). Establishment of industry on a State-by-State basis is summarized in table 5-1, page 67.

Development of an industrial or commercial enterprise did not necessarily ensure the success of the endeavor. Eleven of the 55 opened during this period were closed by the end of the period. Some firms actually operated for less than one year. The Parker Textile Company is an example.[7]

Parker Textile. This firm operated for approximately eight months before closing its doors permanently, defaulting on all loans. It was established in August of 1964 for the purpose of weaving reservation-grown cotton into grey cloth. Employees were to be members of the Colorado River Indian Tribes who were to be trained for mill operations;

[7] *Unless otherwise indicated, all data and information on companies referred to in this chapter have been extracted from company histories maintained in the files of the Bureau of Indian Affairs. Company histories are filed by name and location of the firm.*

however, the firm never employed more than one Indian in its eight-month existence. A review of the company's financial history indicates that the Government's cost per Indian employed by Parker Textile was $351,087 --the cost of the ARA loan made to the enterprise. The tribes and the local residents suffered an additional $254,014 in losses. (See appendix B-1.)

The failure of the company did not, however, result in a complete loss to the Government and the tribe. Bureau industrial development specialists in the Central Office made contact with a New-England-based manufacturer of lawn furniture. This contact resulted in getting the manufacturer to locate a facility in the former Parker Textile facility. After lengthy negotiations on financial arrangements, building of a rail spur, and training Indians in the home plant, the Prest-Wheel Company opened the Parker plant in March 1968.

The firm employed from 50 to 75 Indians on a full-time basis. Several of the supervisory and clerical personnel of the facility were local Indians. The operation appeared to be successful and the facility was expected to continue operations when Prest-Wheel was merged with a larger firm. However, shortly after the merger, the plant was closed. Initial financial arrangements made with Prest-Wheel precluded any loss of rental income on the building. Thus, the tribe has not suffered any loss other than the payroll, which had amounted to approximately $6,000 per week.

The parent company of Prest-Wheel and Bureau and tribal officials are presently attempting to establish some type of operation in the building.

Another firm that operated for a short period without any real success was a small steel fabricating firm in Montana.

Turtle Mountain Steel and Supply Company. This company opened in October of 1962 near the Turtle Mountain Reservation, employing a total of 12 persons, including nine Indians. The company was established to produce fabricated steel parts with expectations of serving markets that would expand as the demand for steel products grew in the region. It was underfinanced and had no source of capital that could be called upon in the event estimated market demand was not forthcoming.

However, other firms operated with varying degrees of success during this period. A brief summary of operations of the companies studied in depth enables one to see these variations.

The company operated for slightly less than two years and went into bankruptcy, leaving the nine Indians out of work..

Burnell and Company, Inc. Burnell and Company are manufacturers of electrical components, with headquarters in Pelham Manor, New York. Officials of the firm entered into negotiations with Bureau and tribal officials for the establishment of a plant on Indian land. In 1962, negotiations were completed with the Laguna Pueblo Indians in New Mexico. The building was to be financed by the tribe; the Bureau would provide on-the-job training (OJT) monies to be used in the Indian job training; and the firm would equip the facility. (See appendix B-2.)

The plant, a 40,000 square foot building, was constructed at Mesita, New Mexico, on 10 acres of tribal land. The tribe advanced $500,000 to Burnell at four percent interest to aid in the financing of the building.

Company officials negotiated a 25-year lease, with an option for an additional 25 years, and placed over a quarter million dollars worth of equipment in the building. The plant opened in January 1963, employing 60 Indians. By December 31, 1965, the firm was employing 142 Indians and had an annual payroll of $500,000 at the Mesita facility, with only seven non-Indians working in the plant. The employment pattern changed somewhat by December 1971. The plant now had 142 employees, including 112 Indians. The Indian payroll had grown to over $501,000.

The Bureau has continued to supply OJT funds to the firm, with 30 Indians trained in 1970.

Wright-McGill Company. The Wright-McGill Company, a well-known manufacturer of fishing tackle, first started looking for domestic facilities to produce snelled fishhooks in early 1960. The Bureau negotiated with tribal leaders of the Sioux Indians residing on the Pine Ridge Reservation in South Dakota and officials of Wright-McGill to open operations on the reservation. Although the company was skeptical of the Indians' ability, it agreed to ship plain hooks to the Indians on a trial basis. (See appendix B-3).

The tribe provided a building; the Bureau provided OJT funds for the training of 13 Indians by Wright-McGill. The trial period was successful, and the company hired an Indian manager to control the operation. In late 1961, the operations were expanded, and by December 31, 1965, the work force consisted of 160 Indians, including managers.

During this period, the Bureau expended $161,881 in OJT funds. Competition from Japanese imports became heavy in late 1967, and in 1968 the reservation operation was terminated. At its peak, the operation had provided 225 Indians with employment.

The importance of this firm to the reservation was disclosed in a rather detailed study of a sample of employees.[8] The employment made it possible for 48 families to double their income; yet they remained below the $3,000 poverty level of income in 1965. The total number of this group receiving welfare assistance declined from 16 to 10 during the first five years of employment. Total welfare payments dropped by 38 percent.

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[8] *Department of the Interior, The Social and Economic Effect of Reservation Industrial Employment on Indian Employees and Their Families, Missouri River Basin Investigation (Billings: Bureau of Indian Affairs, 1968), pp. 16-36.*

The reduction of welfare dependence was even greater in comparison with projections of what it would have been without the added employment. It was estimated that 20 of the employees would have required welfare benefits of $9,841 in 1965 had they not had their jobs at Wright-McGill.[9] For the full history of this company, see appendix B-3.

Firesteel Lumber Company, Inc. The Firesteel Lumber Company, Inc., a New Mexico corporation headed by J.C. Stromberg, established a plant at Domingo, New Mexico, on the Santo Domingo Reservation in 1961. The plant produced aspen wood core stock, which is used in the manufacture of furniture products.

The firm expected to be vertically integrated, producing from tree stump to finished product, with facilities for logging of trees, milling of lumber, and kiln drying the core material.

The venture was launched without funding from the Bureau or other Government agency, with a capitalization of $367,300 of issued capital stock and a mortgage of $842,300 held by Stromberg. In its first four years of operation, the firm lost a total of $815,234.26; however, it provided an annual payroll of about $267,176 to the local economy and employed as many as 50 Indians (80 percent of the labor force). The company suffered a heavy fire loss on August 18, 1965, causing a halt in operations, although with assistance from the Bureau and other Federal agencies it did reopen under the name of Aspen Wood Products Company in the summer of 1966. The reopening was effected only after great efforts by the Bureau officials and a heavy loan by the EDA.

The firm continued to operate at a reasonable rate of production until early 1969. Employment dropped from a high of 86 in early 1968 to a low of 41 in March 1969. In May of 1969, the company declared bankruptcy. The EDA auctioned the equipment at public auction in an attempt to recover the loan. (See appendix B-4.)

Bureau and tribal officials have attempted to attract a lumbering activity to the reservation, but to date they have had no success.

Fairchild Semiconductor Division. The Fairchild Semiconductor Division first entered into negotiations with the Bureau for establishment of a plant on Indian lands in July of 1964. After visits to various reservations and discussion with tribal groups, the firm decided to locate in Shiprock, New Mexico, on the Navajo Reservation. The tribe constructed a building costing approximately $844,000 and leased it to Fairchild on a long-term basis. During the construction phase, a training program financed by ARA funds was conducted for 50 Indian workers. (See appendix B-5.)

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[9] *Ibid.*

Plant operation commenced in July 1965, and by the end of the year, the company was employing 229 Indians, predominantly women. The firm was established and operations started at a total direct cost of $92,521, which was made up of costs incurred in training of Indians for the initial labor force.

Operations were expanded, with employment reaching a high of 1,130 in 1969, with the labor force 97 percent Indian. In December 1971 the firm was employing approximately 800, of whom 775 were Indians. (See appendix B-5.)

It employs Indians as managers, clerks, and line supervisors, as well as production-line workers.[10] It is also providing employment for about 2.5 percent of the employables on the largest reservation in the United States.

In the view of tribal officials, this firm and all other types of industrial and commercial enterprises are extremely important to the Navajo Reservation. The opinion said:

> The Navajo Office of Program Development is funded for $100,000 to promote industry and tourism. By developing business enterprises on the reservation most of the earned money and welfare money will remain on the reservation. Also with underemployment or unemployment at 35,000, or 60 percent of our work force, we need all the industry and business enterprises we can locate here.[11]

Summary of Period

Activity during these first five years of the Bureau's program succeeded in developing many businesses on reservations. However, with failure of 11 of the 55 businesses started, the closure rate was slightly over 20 percent. This is somewhat above the national average.[12]

It appears that many of the failures might be attributed to the fact that in several instances the desire to provide jobs may well have led the Bureau and the tribes to start businesses that would not have been started had a full feasibility study been made. For instance, the

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[10] *Industrial Development Questionnaire, op. cit.*

[11] *Ibid.*

[12] *James M. Murray, Industrial Development on Indian Reservations in the Upper Midwest (Moorhead, Minnesota: Moorhead State College, 1969), p. 32.*

Parker Textile Company was initiated with only one person having had experience in the textile industry. There would appear to have been a failure to consider transportation of the finished product, as there was no rail facility at the site until after the plant closed. Other problems were present, as is seen in appendix B-1.

The same type of inadequate planning or poor management practices appear to have plagued other facilities opening on various reservations. A summary of closures has been developed and is included as appendix C. It indicates that poor management was the greatest cause for business failure during this period.

The growth of activity during the period had been accompanied by a learning experience for the Bureau's development specialists. Many unusual problems had been encountered and identified. This was expected to aid in planning for future developments and also assist in lowering of the failure rate that had been experienced.[13]

A basic problem facing the Bureau in its attempts to attract industry was whether industry could be induced to locate where it is most needed to improve the economic status of the Indians, instead of locating to take advantage of markets, transportation, or raw material sources.

In our predominantly private economy, entrepreneurs usually locate where they choose. Their choice is normally influenced by the conditions affecting production costs or the ability to market their products. However, in their attempts to attract American industries, foreign countries have offered firms both protected markets and certain tax concessions. Throughout the United States, many states and communities have offered local tax concessions, low-cost financing, and many other attractive advantages to any firm that will locate within its tax jurisdiction.[14] These techniques constitute an interference with the normal process of industrial location; however, industry can be encouraged to locate where it is needed, if it finds its economic advantages appear to be greater.

The Bureau found that Indian communities could offer certain added inducements to attract industrial firms. The reservations, and their tribal leaders, are in a peculiar position in comparison with their local non-Indian communities.[15] The various local governments in this country depend heavily upon property taxes as a source of revenue. The reservation community can avoid these taxes, since, by treaty, Indian-owned land is not subject to taxation by the State. Services normally provided from local tax revenues, such as schools, roads, hospitals, and certain welfare services, are provided by the Federal Government, either directly or indirectly.[16]

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[13] *Department of the Interior, "Evolution of the Indian Industrial Development Program" (Washington: Bureau of Indian Affairs, 1969), pp. 2-3.*

[14] *Murray, op. cit., p. 23.*

[15] *Henry W. Hough, Development of Indian Resources (Denver: World Press, Inc., 1967), p. 192.*

Because of their trust relationship with the Federal Government, most tribes--even those that have sources of income, such as land leasing, timber or oil sales, mineral royalties, or tribally owned enterprises --must have, for the most part, the cooperation of the Federal Government before any leasing concessions can be made to attract an industry to the reservations.[17] It is possible to find some attractive inducements to an industry in exchange for locating on the reservations. For example, in several cases tribes have been willing to build, or provide, a building which could be leased to a firm at a very attractive price. If the building could be located on tribal lands, the enterprise would pay no property taxes, because these lands are held in trust by the Federal Government. Some reservations are located in States that levy no tax on either corporate or personal income.

Non-Indian communities would find it most difficult to offer as extensive a package of incentives as these. Nevertheless, the Bureau found that firms were not locating on reservations in any great numbers to take advantage of these inducements. One reason appeared to be the uncertainty of locating in a generally remote geographical area, in a community that had unusual political and social institutions.[18]

Branch of Industrial Development personnel in the Bureau also found that one of the problems in formulating plans for development of industrial enterprises on Indian lands was the bringing together of the Indians and non-Indian community groups--working together to create a favorable climate for industry--and the creation of industrial development committees to formulate programs and means of providing financing for such programs, so that it would be possible to enter into meaningful negotiations with representatives of industry.[19] The Bureau found it necessary to provide much of the technical assistance and guidance to the tribes and communities in the tasks of assembling the necessary labor, resource, and other data to be used in their industrial development planning. The Bureau provided economic studies, industrial surveys, inventories of reservation

[16] *Murray, op. cit., p. 24.*

[17] *William A. Brophy and Sophie D. Aberle, The Indian, America's Unfinished Business (Norman, Oklahoma: University of Oklahoma Press, 1966), p. 13.*

[18] *Indicated by John Abrahamson, Bureau of Indian Affairs, in a personal interview, June 12, 1972.*

[19] *"Evolution of the Indian Industrial Development Program," op. cit.*

resources, and land-use plans.[20] Many brochures and fact sheets about Indian reservations and communities were used in contacting industries in order to attract them to the advantages offered for plant location.

The emphasis on developing light industries changed significantly during the latter part of the decade. Under the guidance of George Schmidt, who had been brought in to the Central Office in 1965 to become head of the ICDP, and George Hubley, Jr., who was appointed Assistant Commissioner for Economic Development in 1967 shortly after the death of Schmidt, the 1966 through 1971 period saw significant growth in establishment of enterprises. (See table 5-1, page 68.)

1966-1971 Development

During the first years of this period, the Bureau continued to emphasize implementation of the overall economic development programs which had been completed for many of the reservations. Efforts were made to move away from development of natural resources as the primary means of establishing industrial activity on the reservations. Although there was to be additional emphasis placed on development of industries, the budget for the program was not increased. Rather, it was decreased by nearly $40,000 in 1966 and 1967 (see table 3-1, page 39). Since approximately 90 percent of the appropriations were expended for salaries[21] to individuals involved in aiding in establishment of industrial enterprises on reservations, the number of personnel available to perform these duties was fewer.

This did not deter the program. In two years (1966-1967), a total of 44 business endeavors were established, and 22 of these were manufacturing type facilities not owned or managed by Indians. However, there were service type businesses not oriented to the Indian forte of arts and crafts. Rather, these endeavors were the Monument Valley Inn, located on the Navajo Reservation in Arizona, and the Pine Ridge Shopping Center of Pine Ridge, South Dakota. They are still operational, even though many of the manufacturing facilities have closed.

The types of industrial firms developed during this period varied both in size, type of activity, and location. A major firm established an electronics plant on Seminole Indian lands in Florida, while across the United States, in the State of Washington, Suntex Veneer Corporation established a mill to produce wood veneer. The operations of these and other enterprises developed during this period are discussed in the following pages.

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[20] *Indicated by Gordon Evans, Industrial Development Specialist of the Bureau, to be one of the prime factors in inducement of firms to locate on Indian lands.*

[21] *Clark Stanton, op. cit.*

Suntex Veneer Corporation. The Suntex Veneer Corporation was the first company to establish operations on Indian lands in the State of Washington. The mill was established with non-Indian capital on the Spokane Reservation. Although actual milling operations did not start until the spring of 1967, negotiations for establishment of the company started in late 1965, with contractual proceedings completed in the spring of 1966.

When this facility became operational, the Indians enjoyed dual benefits: (1) The firm was purchasing the timber used in mill operations, and (2) was employing Indians in the company's operations. The company employed 33 Indians initially. Employment of Indians has been as high as 87 and is currently 29. This is approximately 25 percent of the labor force of the firm and about 10 percent of the reservation labor force.[22]

This company has not used any of the funding programs and has conducted its operations at no cost to the Government. As can be seen in the company's history (appendix B-7), it has played an important role in the reservation economy. The payroll has averaged about $4,000 per week when the plant is in full operation.[23]

In the view of the tribal chairman, this operation has been extremely important. He says:

> This plant was located on the reservation in order to process the timber as near to the source as possible. The plywood lay-up plant was located in Spokane, Washington, because the reservation does not have a rail head and other services needed to manufacture the end product--plywood. This plant provides the best utilization of Indian timber under the existing geographic circumstances and provides employment for tribal members interested in working at logging as well as processing the trees into green veneer --a component of plywood.[24]

Along with this increased emphasis on establishment of manufacturing facilities that could use the reservation labor force, emphasis was placed on developing enterprises requiring the manual dexterity in which many Indian people excel; electronics component manufacture requires such dexterity. Of the 22 manufacturing facilities opened in this two-year period, seven were electronics-oriented companies.

[22] *Industrial Development Questionnaire, op. cit.*

[23] *Because of weather conditions, the firm is not always operational on a year-round basis.*

[24] *Industrial Development Questionnaire, op. cit.*

Two electronics firms opening in 1967 show similarities in their operational needs but dissimilarities in the manner in which they were established. These are Omni-Lab, locating in Wisconsin, and General Dynamics, in Arizona.

Omni-Lab, Inc. Omni-Lab, a manufacturer of electronics devices, negotiated a lease with the Indian people of Lac Courte Oreilles Reservation, Wisconsin, for the use of a vacant school building. The facility provided space for the manufacture of electronic equipment by the firm and rental income to the tribe. In addition to the rental income, the people of the tribe became employees of the company.

The enterprise originally requested OJT funding from the Bureau to train a labor force of 20 persons. When it was learned that OJT funds could be used only for the training of Indian people, the firm declined the funds and trained their labor force through use of the Manpower Development Training Act (MDTA). The initial labor force included seven Indians, and this number grew to 25 before the company terminated its reservation operation in early 1969.

During its tenure, the facility always had a labor force made up of 50 percent Indian people and at one time had 87 percent Indian employees.

The company operated for over three years at no cost to the tribe or the Bureau. A full history of the firm is included as appendix B-9.

General Dynamics Corporation. General Dynamics Corporation established its electronics operation at Fort Defiance, Arizona, with assistance from the Bureau and the Navajo Indian Tribe. It initially started operations in an old abandoned building at Fort Defiance, while the tribe constructed a building which was leased to General Dynamics on a long-term basis.

The building, costing the tribe $800,000, was completed and dedicated in November 1967. The initial labor force included 30 Indians, who had been trained while the building was being constructed. Because of an initially high turnover in Indian trainees, the Bureau has granted the firm $505,116 in OJT funds, or about $1,000 per man-year of employment. However, the company has employed as many as 100 Indians and in December 1971 had 81 Indians on the payroll. This constitutes over 85 percent of the total labor force.

As a result of this firm's operations, several commercial enterprises have opened in the area. These include a grocery store, service station, recreation facilities, a dry-cleaning establishment, and drive-in restaurant.[25]

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[25] *Industrial Development Questionnaire, op. cit.*

During Schmidt's tenure, the funding and participation in the Relocation, Adult Vocational Training, and OJT programs had increased substantially with OJT funding increasing some 240 percent over 1965 (see table 3-1, page 39). Much of the increase in the number of participants and the expenditures can be traced directly to use of such funding as an inducement to industries to locate on Indian lands.

In addition to the increase in funding of programs often used to support ICDP activity, the Division of Economic Development had encouraged ICDP personnel to assist tribes in the establishment of development corporations or foundations which could be used to assist the tribes and the Bureau to attract industries to reservation areas. These corporations and foundations could also make it somewhat easier for both the tribes and industries to attract capital needed for development, especially where industrial parks were established to accommodate plants.

The activities of this period seem to have laid the foundation for a policy of emphasizing the establishment of labor intensive industry to provide maximum Indian employment.

A New Emphasis

On September 8, 1967, George W. Hubley, Jr., formerly employed by the States of Kentucky and Maryland as an industrial and economic development specialist, was appointed Assistant Commissioner for Economic Development. This appointment brought a new approach to the establishment of industry and enterprises in reservation areas.

One of the first actions taken by Hubley was to place emphasis on promotion of Indian job opportunities and promotion of Indian resources. At the end of his first year, he reported:

> Overall, the emphases of the Indian economic development program are being redirected to give more weight to basic approaches employed by the most successful regional and state economic programs. The problems of underdevelopment in Indian areas usually parallel problems of the underdevelopment in other U.S. regions . . . and, indeed, are often interrelated with them. This consideration is a pivotal point in our changing program.[26]

Throughout the years, the chief orientation of the Bureau had been management of resources for the Indians rather than development of, and funding for, large industrial and commercial enterprises. Budgetwise, this approach was still present; the allocation for ICDP was $738,000, most of which would be expended for salaries. In contrast to this, EDA had funded for and approved nearly $26 million in loans or grants to Indian economic development. The majority of the efforts expended by both the Bureau and EDA were directed toward the expansion of activities that would provide the greatest number of opportunities for gainful employment and development of industries or enterprises that would offer the most enduring improvements in the economic environment for Indians.[27]

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[26] *Bureau of Indian Affairs, "Plans - Indian Economic Development Program," Memorandum from Assistant Commissioner for Economic Development to Secretary of the Interior (Washington: Bureau of Indian Affairs, 1968).*

These emphases and efforts were further enhanced by the provisions of the Small Business Administration's SBA-8 program implemented in 1968.

During the 1966-1971 period, a total of 143 enterprises were established, with 99 of these established between 1968 and 1971. (See table 5-1, page 67..) The development year indicated in Bureau records does not necessarily mean that the enterprise actually became operational in that year. Although negotiations may have been started and agreements made during a particular year, the firm may well not have become operational for as much as two years. In several cases, the company may never have become operational. Some examples of this can be seen in appendix C. Other firms operated on a limited basis during negotiation or construction periods and only became operational after facilities were constructed.

Fifty-five of the 99 enterprises are indicated as being established between 1968 and 1971. However, many of these firms had been in the negotiation stage, under construction, or had Indians in training prior to 1968. Of the newly established enterprises, 45 were manufacturing facilities. During this period, some manufacturing activities which had been under construction or operating in temporary facilities became fully operational. Two examples of this can be seen in the history of Big Horn Carpet Mills, Inc., and General Dynamics Corporation.

Big Horn Carpet Mills, Inc. Preliminary negotiations for establishment of a rug-making facility in the Crow Industrial Park, located on the Crow Indian Reservation near Hardin, Montana, started in September of 1966. Mickey House, president of a newly formed corporation, Big Horn Carpet Mills, Inc., a California-incorporated firm, entered into a basic agreement with the Crow Indian Development Commission for the long-term lease of building facilities to be constructed and financed by the tribe. Big Horn Mills would provide working capital, train Indians, and employ Indians in the operation.

After a year's delay, caused by the tribe's arranging financing for construction and equipping of the building, the lease was signed in August of 1967. However, the firm did not become operational until early 1968.

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[27] *Ibid.*

The company was plagued with problems during the start-up period. House was replaced as president because of a history of past financial problems. Building construction costs exceeded the allowance of an EDA loan of $450,000 made to the tribe, and some of the equipment had not been installed properly. The company maintained that use of "force account" labor from the tribe had caused many of the problems. Other problems and areas of conflict existed, with each having a delaying effect on the operations.

A total of eight Indians were trained during the start-up operations at a cost of $4,000 to the Bureau. OJT funds were used for the training.

The mill became fully operational in June 1968, employing 62 Indians, 60 of whom were members of the Crow Tribe. It has now operated slightly over three years.

The opening of the firm did not end the problems, as seen in appendix B-12. With assistance from the Bureau, the mill has remained operational under new ownership and management. The company was employing 72 Indians on December 31, 1971; however, the Bureau had expended a total of $132,746 in OJT funds in the operation. This has been attributed to the high turnover of Indian employees and the need for continued training of personnel in order to remain operational.

The Indian payroll of the plant exceeds $8,000 per week, with salaries as high as $4 per hour.[28]

In the view of tribal leaders, industrial developments such as Big Horn Mills are extremely important to the reservation people. In part, one said:

> . . . Many job opportunities will become available in related industries . . . With some ingenuity and planning, a considerable amount of business enterprise can be introduced within the boundaries of the reservation. Industrial development will require that an ever-increasing role be played by the reservation program branch of the Bureau of Indian Affairs.[29]

The emphasis placed on establishment of manufacturing facilities that offered immediate employment to the reservation labor force is quite evident. In the four-year period of 1968-1971, a total of 99 businesses located on the reservations, or near the reservations. (See Table 5-1, page 67.) Eighty of these operations are classified as manufacturing facilities.[30]

[28] *Industrial Development Questionnaire, op. cit.*

[29] *Ibid.*

[30] *Summary of Industrial and Commercial Enterprises, op. cit.*

Not all of these firms are one type of facility, nor do they all have the same type of ownership. They range from a privately owned manufacturing facility making styrofoam cups, to a tribally owned plant specializing in repair of rifles.

In order to show the wide variety of endeavors established and their ownership structure, several facilities are presented, by type of ownership structure, in subsequent pages.

Privately Owned Facilities

Many of the privately owned operations perform their activities in buildings that are leased from tribes having an industrial park established on their reservations. Other facilities operate on Indian lands using buildings which are privately financed by the operator. A third method of operating is in facilities located near Indian lands, using many Indian employees. An example of each method follows:

Barron Container Corporation. The Barron Container Corporation, a subsidiary of Barron Industries, is a major manufacturer of styrofoam cups. The firm wanted to establish manufacturing operations near its markets in the Southwest.

The company, with assistance of the IDCP, entered into negotiations for establishment of facilities in the new industrial park owned by the Pima Indian Tribe in Arizona. Barron arranged for financing of the building facilities by guaranteeing the lease through SBA guarantees. Building ownership was assumed by a Scottsdale, Arizona, businessman with capital obtained by loan from a major insurance company. The tribe expended $35,000 in establishment of the firm in the park.

The company became operational in the fall of 1969, employing 27 Indians, of whom 15 were trainees, although Barron did not request OJT funds from the Bureau. As of December 31, 1971, the company was employing 51 Indians. Neither the Bureau nor the tribe has incurred any large expenditures or indebtedness due to this operation. Indians employed by the firm earn an average of $72 per week. However, there has been some concern that the company might suspend its operation. In the event this should occur, the tribe should still receive its rental monies from the enterprise. A company history of this firm is included as appendix B-14.

While Barron Container located in an Indian-owned industrial park, Penn-Mor Manufacturing Corporation located near a reservation in order to utilize Indian laborers.

Penn-Mor Manufacturing Corporation. This firm is a long-established manufacturer of various articles of wearing apparel in its Tempe, Arizona plant. In 1969, the Bureau learned that Penn-Mor was purchasing a building in Cottonwood, Arizona, and would probably hire some local Indians to work in the plant when it was established.

There is no indication that the Bureau ever acted as any more than a liaison between the firm's personnel department and the Employment Assistance Officer on the Camp Verde Reservation. Nor is there any indication that the tribe had any contact with the company before the operation was started. See appendix B-16.

Many similar cases could be cited without revealing any significant patterns other than those that have been disclosed. Slight variations in procedures, financial arrangements, or employment patterns have been discovered, but these are of no great significance. Tribal enterprises, however, disclose some difference in their method of establishment and their operations. Three such enterprises are used as examples to show these differences.

Tribally Owned Facilities

There are currently 12 tribally owned manufacturing facilities operating on Indian reservations, with production ranging from the reproduction of art materials to manufacturing of prefabricated houses. Many types of facilities have been established by tribes. Some are still operational; others have failed. There is no typical enterprise, so three companies are used to show the wide range of longevity as compared to non-Indian-owned enterprises.

Turtle Mountain Industries. Turtle Mountain Industries, a tribally owned and operated enterprise, was established on the Turtle Mountain Indian Reservation with the assistance of the Bureau. The firm was established for the purpose of performing sewing, beading, and other finish work on materials provided by contract firms throughout the United States. The company would not be engaged in actual manufacturing operations in the sense that it would produce the product; rather, it would be engaged in the finishing process of manufacturing.

The firm was established in March 1968, using a $10,000 loan from the Bureau's Revolving Loan Fund and $1,000 in working capital provided by the tribe. It operated for less than 120 days, then closed its doors permanently.

The Bureau made no efforts to perpetuate the business endeavor, since the method of operations depended too much on the basis of labor contracts, which were hard to obtain and harder to comply with and earn a profit. A history of this firm's short life is included as appendix B-17.

Fort Peck Tribal Industries. Fort Peck Tribal Industries, one of the first Indian-owned enterprises to operate under the provisions of the SBA-8 program, was established on the Fort Peck Reservation in Montana specifically to take advantage of the SBA program.

103

The company was formed in late 1968 with the assistance of the Bureau and a Washington-based consulting firm. The consulting firm, Dynalectron Corporation, was to provide assistance in procuring defense contracts and management of the enterprise until Indians could be trained to manage the business.

This was the first combined effort by the tribe and industry toward economic development of the reservation. The Bureau and Dynalectron worked diligently to assure the newly incorporated firm a contract from SBA. The first contract awarded to the firm by SBA was a $708,804 contract for the reconditioning of 44,000 Air Force M2 carbines.

The operations of this enterprise were far from smooth from the very outset. The tribe and the Bureau exerted extensive efforts to sustain the company and to continue operations. They were successful in their attempts, but it was costly. The Bureau and the Office of Economic Opportunity (OEO) provided OJT funds and training grants in order to provide trained managers and employees.

Training expenses amounted to approximately $270 per trainee to the Bureau and $1,539 to OEO. The return on this investment is not small, in that during normal operations this firm has a payroll of nearly $700,000 per year. However, in order to maintain a high standard of training, the Bureau has extended an additional $71,110 in OJT monies to the company since it opened in 1969. The enterprise is currently employing 69 Indians, 11 fewer than when the plant opened. However, employment tends to fluctuate with the type of contracts available. The value of the company to the reservation, as well as the need for further development, is expressed by a tribal leader. The following statement was made during a shutdown period:

> The need for developing business enterprises on the reservation is so great that words can't describe this urgency. Our industry at present isn't functioning because we've completed our contract and are awaiting another to materialize. The impact of this shutdown is terrible. The whole economy has slowed down, and not only are our welfare funds being depleted but our law and order problems are mounting. The value of developing business enterprises would be to see a whole reservation completely rejuvenated, a whole economy back on its feet, and a better life for Indians.[31]

Another tribally owned manufacturing firm, Fort Belknap Builders, Inc., has had a tumultuous and interesting history in its short two-year life.

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[31] *Industrial Development Questionnaire, op. cit.*

Fort Belknap Builders, Inc. This corporation was formed to manafacture and construct prefabricated houses on the Fort Belknap Reservation, Montana. The tribe had wanted for some time to get an industry established and organized the business in a somewhat speculative manner.

The company organized on the basis of being promised certain opportunities with a franchise builder of homes. Although the Bureau assisted the tribe with some of the problems of organization, the tribe relied heavily on the promises of a management consultant firm which it had engaged to help organize and manage the business. As a result, the tribe became entangled in a very costly operation that has barely survived.

The tribe has become indebted for about $400,000, and the Bureau has advanced $27,651 of OJT monies to assist in the training of employees. On December 31, 1971, the firm had 22 Indians working, with hopes of adding more if certain HUD contracts were awarded to the firm.

The problems that have plagued this endeavor are so vast that a complete understanding can be gained only through the reading of appendix B-18.

There are several other tribal activities and enterprises that have had an effect on reservation employment problems. Two of these, Chata Construction Enterprises, and the Warm Springs Assembly Plant, are included as appendices B-11 and B-15, respectively. These operations have been very successful thus far; they both have been an important factor in improving economic conditions on the reservation where they are located.

A tribal official of the Choctaw Tribe in Mississippi where Chata Construction Company is located has this to say about the importance of industrial developments such as Chata:

> Developing business enterprises and improving education are the two most important reservation needs. Industrial enterprises are of importance to create jobs on the reservation. Service enterprises are important to create jobs and to keep money on the reservation.[32]

At Warm Springs, where the tribe owns the electronics assembly plant, a tribal official said about the plant:

> This is a tribally owned and operated industry. All employees, including management, are Indian. It provides employment for mostly women who otherwise would only have seasonal work--picking potatoes, etc. The company has outgrown their existing building and the tribe is considering construction of a new plant. This plant is an excellent

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[32] *Ibid.*

example of Indian self-determination in gaining experience in the operation of an industry. Currently the plant manufactures products for three firms.[33]

Although the Bureau's emphasis on establishment of manufacturing firms is readily apparent, the development of other enterprises was encouraged by the ICDP wherever the opportunity was indicated. Several of the OEDP's advocated placement of tourist facilities on some of the Western reservations where there was a heavy influx of tourist trade throughout the year. The earliest such development was the Monument Valley Inn, located on the Navajo Reservation during the summer of 1965. This is not a tribal operation; however, 17 of the 25 employees are Indians from the Navajo Reservation.

As a result of the Monument Valley operations, the Navajo Tribe established a tribally owned and operated motel and restaurant at Window Rock, Arizona. This operation started in early 1970 and is currently employing 36 people, 29 of whom are local Indians.

The need for establishing service enterprises on the reservations, as has been seen, is recognized by tribal leaders. Some efforts have been made to establish such businesses, and in analyzing the response to the Industrial Development Questionnaire it will be seen that some tribes have made significant advances in this area.

QUESTIONNAIRE ANALYSIS

In analyzing the Industrial Development Questionnaire,[34] it is seen that 18 percent of the firms locating on the reservations resulted from initial contact made by the Bureau with industry; while in 56 percent of the cases, contact was made jointly by tribal and Bureau officials. State departments of planning and other agencies accounted for another 18 percent of the contacts made. In nine percent of the cases, the tribe made the contact.

In 52 percent of the firms, capitalization was effected through a combination of funding methods. This fact is also evident in table 4-1, page 55. However, there is a difference in the tribal investment indicated in the questionnaire and in table 4-1. The questionnaire results indicate that 33 percent of the industries located on the reservations are financed with tribal funds.

The questionnaire further has shown that 23 percent of the industrial enterprises have stimulated establishment of additional businesses in the form of commercial or service type endeavors.

[33] *Ibid.*

[34] *See appendix D for the questionnaire and the tabulation.*

SUMMARY

Between 1961 and 1971, ICDP increased the number of operational enterprises from seven to 136.

The development program was vastly expanded through funding made available to Indians by other Federal agencies. EDA and SBA programs were significant during this period, with the minority program of SBA used quite extensively to promote Indian-owned enterprises.

EDA programs were used to promote development of industrial parks on Indian lands to attract industry seeking to locate in areas that could be served with plants on such lands. EDA grants and loans were employed to develop Indian and non-Indian owned enterprises locating in reservation areas.

The major development emphasis during this period was manufacturing-oriented, since this type of facility could provide the greatest number of jobs in a short period of time. Development of manufacturing facilities was expected to create employment and income growth to the extent that services and retail operations would be induced to locate on or near Indian lands.

Many of the employment problems are being overcome; however, it is taking the combined efforts of the Bureau, tribal leaders, and the Indian workers themselves. In many instances, though there have been no labor problems apparent, plants have closed leaving Indians out of work. The closure rate has been and is a continuing problem.

Clousure Rate

The 1961-1965 closure rate as discussed was somewhat unfavorable in comparison with the national rate, with closures running at approximately 20 percent.

However, this rate rose to 26 percent of the businesses established between 1966 and 1971. Bureau records indicate that 143 industries were developed by ICDP. Thirty-seven facilities closed during the period. It must be noted that seven firms never became fully operational. Five of the seven failed to become even partially operational.[35] (See appendix C.)

This indicates that some firms are being recorded as being established by ICDP when, in reality, no entity has actually materialized.

[35] *These figures were compiled from data contained in the quarterly Summaries of Employment in Industrial and Commercial Enterprises Established in Indian Labor Force Areas, and appendix C.*

In evaluating the ICDP and the rate of closures, another factor must be considered. In several instances, firms have been established on a very marginal basis at best. They have operated for a very short period and then been forced to close because of poor management, poor markets, or financial problems that can no longer be alleviated, even with Bureau assistance.

In many cases, it appears that individuals from outside the Bureau and the tribes who are establishing businesses on the reservations are not investing capital in those businesses. In cases where individuals are engaged as managers, it is later discovered that their past experience in no way qualifies them to continue as managers.

There is no evidence to show that actual fraud has taken place; however, there is ample evidence to indicate that many of the difficulties can be attributed to activities of the individuals who hold themselves out to be experts in a field, charging fees for management, but never entering into the business as a partner, shareholder, or otherwise investing in the business.

These conditions may well have led to closure of some businesses, causing losses to tribes as well as the Government. However, the purpose of the ICDP is to improve employment opportunities on the reservations. The value of the program exists not in the establishment of plants or facilities, but in providing employment to unemployed Indian people and raising income on the reservations where facilities are located.

These factors are the subject of evaluation in chapter 6.

Chapter 6

INDUSTRIAL DEVELOPMENT EMPLOYMENT

In the previous chapter, discussion centered on implementation of the Industrial and Commercial Development Program recommended by the Task Force on Indian Affairs. The number of industries, types, and their successes and failures were presented. As shown in preceding chapters, the prime purpose of the Bureau's action in establishing a new Division of Economic Development in 1962 was to provide assistance needed to establish individual and tribal enterprises, and to assist tribes in encouraging establishment of private manufacturing plants in localities where they would provide tribal members with greater opportunities for year-round employment.

This chapter is devoted to the analysis of employment opportunities created through establishment of business entities on reservations with assistance of the Bureau's ICDP. The analysis is approached through presentation of historical data surrounding the status of Indian employment; a study of the sources of employment on reservations; a review of employment patterns present in IDCP-established industries; and, finally, an analysis of the impact specific industries have had on reservation unemployment problems.

STATUS OF INDIAN EMPLOYMENT

The status of Indian employment has been of major concern to the Federal Government for many years. Previous studies of Indian employment often concentrated on employment in one area, such as agriculture or forestry. The need for a more comprehensive study to determine employment conditions on the reservations and in areas adjacent thereto led the Honorable Wayne N. Aspinall, Chairman, Committee on Interior and Insular Affairs, House of Representatives, to institute a study to determine Indian employment conditions.[1] In presenting the three-part study to the full membership of the House Committee, he opened his covering letter with the statement:

> Among the major questions presently confronting this committee is the matter of unemployment on or near reservations. We have had numerous inquiries regarding unemployment, but due to the variety of Government agencies involved, we have not been able to answer these inquiries in a satisfactory manner.[2]

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[1] *U.S. Congress, House of Representatives, Committee on Interior and Insular Affairs, Indian Unemployment Survey, 88th Congress, 1st session (Washington: Government Printing Office, 1963).*

[2] *Ibid., p. VI.*

The study was accomplished through use of a questionnaire sent to Agency officials, tribal officials, and various State and Federal agencies. The questionnaire returns disclosed that Indian unemployment ran from as low as 15 percent in the Choctaw area to as high as 63 percent in the Cheyenne area. Results of this survey are shown in table 6-1 on the following page.

Study results also disclosed that many of the tribes were greatly concerned with the high rates of unemployment. Several tribes acknowledged the need for development of industrial enterprises to provide opportunities for employment on the reservations. In some instances, tribes disclosed plans for investment of tribal funds in business ventures in an attempt to stimulate employment opportunities in the reservation areas.[3] These endeavors would, for the most part, be undertaken with assistance from the Bureau.

The Bureau's Division of Economic Development was expected to increase employment opportunities on or near reservations through establishment of additional industries. The program emphasis had been pointed up by Commissioner Philleo Nash in his 1962 annual report. Nash stated that three new industrial plants had opened in 1962 and one expanded in reservation areas. These plants were expected to provide employment for approximately 806 people.[4]

The Commissioner went on to report that, to date, 20 plants had been established on or near reservations. These were brought into being through the combined efforts of the tribes, local communities, the Bureau, and other Government agencies. These plants were expected to provide employment for 3,200 persons, 70 percent of whom would be Indian.[5]

The survey conducted during 1962 disclosed an exceptionally high rate of unemployment. Table 6-1 on the following page offers an opportunity to study the employment situation as it existed upon presentation of the survey results in 1963.

This table, presented in an area-by-area form--the form used by the Bureau until the late sixties--shows the total Indian force available in each area, the employment of Indians, and the percentage of full-time employment.

As can be seen, there were 67,855 Indians over 18 years of age considered to be in the labor force. Of the total available, 25 percent were employed on a full-time basis. When those workers reported as being employed in part-time positions at the time of the survey are included, an employment rate of 45 percent is reached.

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[3] *Ibid., p. 377.*

[4] *Secretary of the Interior,* Annual Report *(Washington: Government Printing Office, 1963), p. 22.*

[5] *Ibid.*

TABLE 6-1

INDIAN LABOR FORCE AND EMPLOYMENT (1963)

Area	Labor Force 18 Yrs. & over	Full-Time Employment	Part-Time Employment	Percent Employed Full Time
Aberdeen	13,899	3,013	2,091	20%
Billings	6,590	1,857	1,108	28%
Gallup	29,720	8,367	7,564	28%
Minneapolis	4,903	921	1,036	19%
Phoenix[a]	7,208	1,672	1,027	23%
Portland[b]	4,852	1,038	1,131	20%
Sacramento	583	182	16	31%
TOTALS	67,855	17,050	13,973	25%

Source: Compiled from data contained in the "Indian Unemployment Survey," House Committee on Interior and Insular Affairs, 88th Congress, 1st Session, July 1963.

[a] Pima agency figures were not available for the year.

[b] Much of these data are estimates made by agency personnel.

Employment rates varied from the 31 percent employed full time in the Sacramento, California, area to the low of 19 percent in the Minneapolis, Minnesota, area. It can further be seen that the Minneapolis area had a high number of part-time laborers. The Billings and Gallup areas also had nearly as many part-time workers as full-time. This may well be attributable to the agrarian nature of the area, and cultural factors.

Analyzing the impact of establishing businesses and industrial employment opportunities on reservations is significantly hampered by changes that have been instituted in accounting for the labor force in reservation areas.

In March of 1965, the Bureau instituted the Semi-Annual Report of Labor Force, Employment, and Unemployment. This report was, and is, completed by Area Directors and Superintendents of Agencies. Information in the report includes the total number of Indians available for labor 14 years and over, with no upper limit to the age. The Commissioner's instructions stressed the need for accurate unemployment data from the reservations and suggested that extensive use be made of their records kept by Employment Assistance, Welfare, and Education Branches in each Agency.[6]

The method of collection of data closely paralleled that used to prepare the 1963 congressional report of Indian unemployment referred to previously in this chapter. There was, however, one significant difference in the ages used for accounting.

The adding of a four-year span of age to accounting for the labor force created a significantly larger number of employables.

Although the Bureau survey provided opportunity for excluding persons over 14 from the labor force under certain conditions--for example, students, persons chronically ill or otherwise incapacitated, and women caring for dependent children or other reasons--there is no way to determine how many 14-18-year-old persons included in the survey were truly in an employable status.

Survey results for 1965 are shown in table 6-2 on the following page. It is readily apparent that the unemployment rate had not been significantly reduced by the additional employment of 467 Indians who were now working in ICDP enterprises. The rate of unemployment was now running from a low of 34 percent in the Portland area to a high of 63 percent in the Aberdeen area. Here again, one must consider that in some areas, such as Aberdeen, Billings, and Phoenix, the problem of seasonal employment in agriculture

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[6] *Bureau of Indian Affairs, Memorandum, "First Semi-Annual Report of Labor Force, Employment, and Unemployment (March 1965)" (Washington: Bureau of Indian Affairs, 1965) (Unpublished).*

TABLE 6-2

INDIAN RESERVATION LABOR FORCE AND UNEMPLOYMENT
(December 1965)

	Labor Force (14 yrs. & Older	Total Number Employed	UNEMPLOYED		
			Percent of Labor Force	Male	Female
Aberdeen Area	14,000	5,350	63	5,318	4,032
Billings Area	6,747	3,379	50	2,386	982
Gallup Area	29,487	16,579	44	7,144	5,764
Minneapolis Area	5,128	3,177	38	952	999
Phoenix Area	9,325	4,364	53	2,080	2,881
Portland Area	6,711	4,416	34	940	1,355
Sacramento Area	452	250	45	126	76
Central Office Reservations	362	165	46	71	96

Source: Compiled from Indian Reservation Labor Force and Unemployment, Annual Report of Bureau of Indian Affairs (unpublished).

is a constant factor. Employment surveys conducted before and after the season fail to include those people who could be employed for as much as six months without being properly accounted as being employed.[7] This is of particular significance in studying this period, because of the 14-18-year-old group. They may well be employed in such types of work, since most agricultural activity is exempt from many labor laws affecting manufacturing or other enterprises.

It is also almost impossible to determine the percentage of unemployed who want to remain idle regardless of the number of employment opportunities available.[8]

The growth of industry and increased employment opportunities cannot produce a measurable reduction in unemployment percentage if the basis for measurement is changed to include a greater number of individuals, many of whom are definitely unemployable in the types of industries being developed in the employment areas.

During 1967, the Bureau made another significant change in the description of the total labor force. As has been discussed, the labor force was considered to be those over 14 years old not attending school or otherwise available for labor. The Bureau now amended its data-gathering forms to describe the labor force as those 16 years and older.

The effect of the change on the percentage of unemployed can readily be seen when the 1966 area employment data in table 6-3 are compared with the 1967 area data in table 6-4. In the Aberdeen area there was a reduction of six percent in the rate of unemployment, although there was less than a five percent increase in the number of employed persons.

An even greater change can be seen in comparing the Phoenix area. In 1966, the total labor force was 15,481, with 8,189 persons employed. These figures in the 1967 report changed to 12,517 in the labor force, with 7,800 employed. The rate of unemployment dropped from 47 percent to 38 percent, even though total employment also dropped.

The use of area data does not allow a close analysis of the ICDP impact on employment. Therefore, since the data on employment are available on a State basis and ICDP establishments are also recorded by State, employment created by ICDP will be compared on the basis of States as well as reservations in a later portion of this chapter. However, it must be recognized that there are several major sources of employment available to Indians residing on the reservations.

[7] *Alan L. Sorkin, American Indians and Federal Aid (Washington: The Brookings Institution, 1971), p. 14.*

[8] *Ibid.*

TABLE 6-3

INDIAN RESERVATION LABOR FORCE AND UNEMPLOYMENT
(September 1966)

	Labor Force (14 yrs. & over)	Total Number Employed	UNEMPLOYED		
			Percent of Labor Force	Male	Female
Aberdeen Area	14,471	7,255	49	4,211	2,946
Albuquerque Area	8,674	4,873	43	1,722	2,075
Billings Area	6,924	4,741	32	1,445	738
Minneapolis Area	5,139	3,550	31	766	823
Navajo Area	30,481	23,189	32	5,264	4,600
Phoenix Area	15,481	8,189	47	3,119	4,173
Portland Area	6,401	4,206	34	963	1,232
Sacramento Area	439	299	31	54	86
Central Office Reservations	2,104	1,863	11	132	109

Source: Compiled from Indian Reservation Labor Force and Unemployment, Annual Report of Bureau of Indian Affairs (unpublished).

TABLE 6-4

INDIAN RESERVATION LABOR FORCE AND UNEMPLOYMENT
(December 1967)

	Labor Force (16 yrs. & Over)	Total Number Employed	UNEMPLOYED		
			Percent of Labor Force	Male	Female
Aberdeen Area	13,295	7,618	43	3,493	2,115
Albuquerque Area	8,760	4,986	44	1,815	1,958
Billings Area	6,960	5,224	25	871	865
Gallup Area	30,804	20,940	32	5,264	4,600
Minneapolis Area	5,423	3,899	28	867	657
Phoenix Area	12,517	7,800	38	2,524	2,193
Portland Area	7,544	5,421	28	994	1,229
Sacramento Area	387	301	22	33	53
Central Office Reservations	2,004	1,531	24	262	211

Source: Compiled from Indian Reservation Labor Force and Unemployment, Annual Report of Bureau of Indian Affairs (unpublished).

SOURCES OF EMPLOYMENT

The range of employment opportunities on the reservations is often limited, with some of those located in isolated areas having little or no work available within commuting distance.[9] On these reservations, there is a desperate need for developing a nucleus of economically successful Indian operators of farms, ranches, and small commercial undertakings.[10]

Table 6-5 on the following page reveals the major sources of employment and income available to Indians residing on the reservations. In all cases, the source of employment provides over $1 million in earned income to the employees; however, in some instances, fewer than 300 persons are employed in the field of endeavor.

Lack of data for the year of 1971 has made it necessary to use fiscal year 1972 data, which were collected by the Bureau for planning purposes.[11] (These data will now be collected on a regular basis, making it possible to ascertain trends in the future.)[12] Even though the data for 1972 include a period slightly beyond the inclusive dates of this study, they are being used for comparative purposes rather than for the establishment of a trend; therefore, they are deemed to be appropriately used.

In 1969, government agencies, including State, tribal, and nearby local governments, clearly provided the greatest number of Indians with employment. Employment in agriculture was second and industrial and commercial enterprises third, with outdoor recreation endeavors the lowest.

While this chapter is not devoted to the study of income generation, it should be noted that ICDP-generated income was second only to government, although the combined earnings of rangeland and dry farming do exceed the total ICDP earnings for 1969.

There has been a long history of Government efforts to create an agrarian economy. In 1968, Indians were not maximizing the usage of their lands. In fact, less than 30 percent of their dry-farming lands were being used. In contrast to this, nearly 80 percent of the open grazing lands were utilized.[13]

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[9] *William A. Brophy and Sophie D. Aberle, The Indian, America's Unfinished Business (Norman, Oklahoma: University of Oklahoma Press, 1966), p. 70.*

[10] *Ibid.*

[11] *Statement of Dr. Louis Conger, Bureau of Indian Affairs, in personal interview, July 20, 1973.*

[12] *Ibid.*

[13] *Sorkin, op. cit., p. 66.*

TABLE 6-5

INDIAN EMPLOYMENT AND EARNINGS, BY SOURCE

1969 - 1972

ource	1969[a]		1972[a]	
	Employment	Earnings	Employment	Earnings
EDERAL GOVERNMENT (TOTAL)	($17,828)	($75,188,600)	($36,504)	($159,019,600)
Bureau of Indian Affairs	N/A	N/A	7,324	51,920,500
Indian Health Service	N/A	N/A	1,684	19,129,200
O.E.O. Programs	N/A	N/A	5,193	23,589,400
Other Federal Government	N/A	N/A	3,706	19,648,000
RIBAL GOVERNMENT	N/A	N/A	4,736	44,732,500
THER GOVERNMENT	N/A	N/A	18,597	44,063,600
OMMERCIAL AND INDUSTRIAL (TOTAL)	(7,456)	30,752,000	17,964	(90,766,000)
Bureau I.C.D.P.	N/A	N/A	8,018	44,510,400
Tribal Developments	N/A	N/A	940	3,981,900
Non-Bureau Commercial[c]	N/A	N/A	9,006	42,273,700
GRICULTURE (TOTAL)	(12,485)	(39,358,700)	(23,116)	(42,839,400)
Rangeland	11,174	28,943,800	d	d
Dry Farming and Pasture	1,311	10,414,900	d	d
ORESTRY	2,247	14,730,000	1,781	12,720,300
INERALS	577	6,663,800	1,122	11,965,500
UTDOOR RECREATION	255	1,306,200	401	1,454,400

Includes only those areas studied.

Includes state, county, and local governments.

Includes employment in industry and commerce not induced by bureau or tribal funding.

URCES: Bureau of Indian Affairs, "Summary of Reservation Development Studies and Analyses" (Washington: Bureau of Indian Affairs, August, 1969) (Duplicated) and, "BIA program planning output data" (Washington: Bureau of Indian Affairs, December 1972) (Computer printouts).

The sources of employment depicted in table 6-5 show that the Indians are placing heavy reliance on employment in government agencies. While Indian lands are limited in size and not fully utilized for agriculture where possible,[14] only slightly over 33 percent of the Indians are using the agricultural field as a source of employment.[15] In contrast to this, nearly 44 percent were employed in government in 1969.

As has been previously noted, it is not possible to make a definite statement as to trends[16] with the data of table 6-5. It is, however, possible to see that Government employment in 1972 still consisted of over 46 percent of the total number of Indians employed, while agricultural employment had fallen to 26 percent of the total Indian workers.

The 1969 employment in ICDP was slightly over 18 percent of reported Indian employees, with no specific breakdown as to the exact source of such employment. The 1972 reports make it possible to see that 22 percent of those employed were engaged in some form of commercial and industrial endeavor. Of these, approximately 50 percent were employed in reservation-located enterprises established with Bureau and tribal assistance.

At first glance, it would appear that employment in commerce and industry had more than doubled. Such is not the case. There has been a modest increase in the number of Indians employed in ICDP-induced enterprises. However, the sudden increase is due to the reporting of the number of Indians employed in businesses that are not established by the tribes or the Bureau. It is not possible to make a positive assessment of the location of these businesses, but it is assumed that they are either on the reservation or within commuting distance.

Even with the induction of these workers into the records, it does not reverse the fact that government, and primarily the Federal Government, is the major employment source for the reservation-dwelling Indians. It is not possible to ascertain from the data whether those Indians employed in the Central Office of the Bureau and in the Area Offices are included in this figure. If yes, these are relocated persons and could not be considered residents of the reservations. If no, then even more Indians are employed by government than indicated in the table.

[14] *Ibid.*

[15] *Agricultural data available do not show the number employed and income earned by Indians in farming irrigated lands. Such a program should be included as a separate source of employment.*

[16] *It is evident that data-gathering techniques and categories of employment reported have been changed. Several categories of government and commercial and industrial employment are now available, while agriculture is now a combined figure. This makes exact comparisons impossible, but it better depicts current employment sources.*

Such heavy reliance on government employment could well become disadvantageous to many tribes. In the event of a serious cutback in employment provided by Federal agencies, some tribes already facing unemployment problems could find themselves in serious difficulties.

For instance, if OEO programs were suspended, over 5,000 Indians would be seeking employment in other fields. On some reservations, the opportunities are very limited--for example, the Pine Ridge Reservation, which had 130 Indians employed in OEO programs and 835 in government agencies in general.[17] The reservation had 443 employed in commerce and industry but no employment in agriculture. Thus, of the total employed, over 65 percent were in government. Of these, 16 percent were in OEO programs.

The Fort Belknap Reservation presents even a more dismal picture. Here, over 25 percent of the government employment is through OEO programs, and nongovernment employment is approximately 28 percent of the total employment on the reservation. There is no reported employment in agriculture.[18]

From the data in table 6-5, it is evident that commercial and industrial development is playing a very important role in the creation of employment on reservations. With only 22 percent of the total number of Indians being employed in commercial and industrial endeavors, the income generated by such employment exceeds all other sources except for government. Income from employment in ICDP enterprises exceeds that of agricultural earnings by nearly $2 million.

Since this chapter is not devoted to income analysis, a further discussion of income generation by sources is included in chapter 7, with table 7-7 depicting reservation income.

One of the factors that bear scrutiny is that while employment in agriculture has increased nearly 100 percent between the reporting dates, the income reported has increased by only slightly over $3 million. This would indicate that either employment or earnings have been misstated. However, in direct comparison, it is also evident that agricultural pursuits show a lesser return than do the commercial and industrial earnings.

This is also an important factor that must be considered in the future. Since reservation and trust lands are limited in size and often in isolated areas that do not lend themselves well to agricultural pursuits, consideration must be given to the potential return that can be gained through establishing an industry.

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[17] *Bureau of Indian Affairs, "BIA Program Planning Output Data" (Washington: Bureau of Indian Affairs, December 1972) (Computer Printout).*

[18] *Ibid.*

For example, the establishment of an enterprise on the Pine Ridge Reservation, Wright-McGill Company,[19] converted an unused, nonproductive agricultural building into an enterprise that provided employment for 225 Indians. Although the business closed after five years of operation, the buildings created over 1,000 man-years of employment and over $5 million in earned income.

In another instance, Omni-Lab, Inc.,[20] converted an unused school building into an electronics industry employing 25 Indians who would otherwise not had employment. In addition, the building would have deteriorated through nonuse. Thus, another nonproductive building became a valuable source of employment and income.

The importance of ICDP employment is well-evidenced in table 6-5 when it is compared with the other major sources of employment. Also, this type of employment tends to create additional employment opportunities through the development of commercial entities to support the buying demands of those employed in industrial plants.[21]

With the rate of unemployment running from 55 to 75 percent during parts of the year,[22] employment in ICDP enterprises tends to act as a deterrent to increased Indian unemployment on a national basis. The specific impact that IDCP employment had had on the Indian unemployment problem is discussed in subsequent pages: First, the national impact and, second, the direct reservation impact.

NATION-WIDE RESERVATION EMPLOYMENT

The national impact of ICDP can be measured in terms of man-years of employment by analyzing the total number of job opportunities created through establishment of enterprises. Further analysis reveals the number of Indians employed in industries opening in reservation areas.

Although there has been a long history of Government efforts to create an agrarian economy for the Indians, in 1968 Indians were using less than 30 percent of their irrigated lands, about 25 percent of their dry-farming lands, and 80 percent of their open grazing lands.[23] This is further reflected in the number of Indians employed is such pursuits as depicted in table 6-5. Of the 40,848 individuals employed in various fields, slightly over one-third are involved in the agricultural area.

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[19] *See Appendix B-3.*

[20] *See Appendix B-9.*

[21] *Chamber of Commerce of the United States, What New Industrial Jobs Mean to a Community (Washington: Chamber of Commerce, 1968), pp. 4-5.*

[22] *Mamie L. Mizen, Federal Facilities for Indians, Tribal Relations with the Federal Government (Washington: Government Printing Office, 1967), A Report for the Committee on Appropriations, United States Senate.*

In contrast to this, nearly 44 percent are employed by government agencies and 18 percent are employed in industrial and commercial endeavors. It is evident that there is a heavy reliance on employment in government facilities. This could well become disadvantageous. In the event of a reduction of government employment, a more serious unemployment problem would face many of the tribes.

While 18 percent of those employed are currently filling positions in commercial and industrial enterprises, it is possible this percentage could be increased through expansion of employment opportunities in presently existing enterprises. It is also possible for employment to expand through development of commercial entities to support the buying demands of those employed in industrial plants.[24]

Studying the creation of employment opportunities on the basis of time periods makes it possible to discern patterns of employment growth present in the various periods.

ICDP Employment, 1963-1965

The period between 1963 and 1965, as shown in chapter 5, especially in table 5-1, was a time of significant increase in the number of enterprises opening on or near the Indian lands under study. Between 1963 and 1965, a total of 42 new enterprises were introduced and 11 closed, leaving a net gain of 31 facilities.

Those plants that closed during the period caused a loss of a total of 187 positions, of which 178 had been filled by Indian employees. (See appendix C.) However, employment rose from approximately 1,200 in 1962,[25] of which some 735 were Indian, to 2,597 in 1965, with 1,313 being Indian employees.

In 1963, Indian employment in ICDP enterprises exceeded non-Indian employment by six persons: 846 to 840. There were some 153 new positions opened as a result of the net gain of 11 new firms opened in 1963. Twenty positions, 15 of which were filled by Indians, were lost because of closures (see appendix C), leaving a net increase of 133. The following table shows this pattern of employment growth during the period:

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[23] *Sorkin, op. cit., p. 66.*

[24] *Chamber of Commerce of the United States, What New Industrial Jobs Mean to a Community (Washington: Chamber of Commerce, 1968), pp. 4-5.*

[25] *This figure is approximated, using the 1963 employment report to determine employment in plants established prior to 1962.*

Table 6-6

Employment in ICDP Enterprises
1963-1965

Year	Total Non-Indian	New[(a)] Non-Indian	Total Indian	New[(a)] Indian
1963	840	91	846	62
1964	848	268	883	234
1965	1,284	370	1,313	306

(a) Newly formed jobs in enterprises opening during the year.

Source: Compiled from Bureau of Indian Affairs, "Industrial and Commercial Enterprises Established on or near Reservations" (Washington: Bureau of Indian Affairs, 1963-1965) (Duplicated).

The rate of Indian employment by ICDP-induced enterprises closely paralleled that of non-Indian employment during 1964 when the total employment rose to 1,731, with 883 of the jobs filled with Indian employees.

The year 1964 saw an increase in total employment, with a rise of over 100 percent in non-Indian employment and an increase of over 370 percent in Indian employment in firms established during the year. However, as shown in table 6-7 on page 106, actual Indian employment rose only four percent and non-Indian employment by one percent. This is attributable to the closures of some firms and the reduction of labor in others.

Table 6-7 further shows that there was a gross increase of 65 jobs with a net increase of 45. Fifty-seven new jobs were created in arts and crafts, five in manufacturing, and three in agriculture. However, 20 were lost because of a loss of employment in service industries. Thus,

TABLE 6-7

EMPLOYMENT IN ICDP
ESTABLISHED ENTERPRISES
(1963-1965)
BY INDUSTRY

Industry	1963 Total-Indian	1964 Total-Indian	1965 Total-Indian
Agricultural	31-24	34-27	42-23
Arts & Crafts	123-123	180-165	226-205
Manufacturing	1,512-689	1,517-695	2,309-1,085
Services	20-10	0-0	0-0
TOTALS	1,686-846	1,731-883	2,597-1,313

Source: Compiled from unpublished Bureau of Indian Affairs Quarterly Reports of "Industrial and Commercial Enterprises Established on or Near Reservations."

for the year 1964 an increase of 45 man-years of employment resulted from establishment of the new firms; however, 37 man-years of this increase were in Indian employment. A table of man-years of employment is included as appendix D.

In 1965, employment[26] increased to 2,597 persons, of whom 1,313 were Indian people, an increase of 69 percent in total and slightly over 40 percent in Indian employment. The major increase in employment came again in manufacturing. The increase of 390 Indian employees resulted primarily from the opening of the Fairchild Semi-Conductor plant, whose history has been included as appendix B-6. This firm employed 229 Indians in 1965 while establishing their operations.

During 1965, the Bureau ICDP established seven new enterprises on Indian lands under study and closed six, for a net gain of one. The closures caused a loss of employment of 26 Indians in manufacturing firms and 16 in arts and crafts. Although the closure rate was extremely high in this year, the gains in employment were also extremely high.

The firms established in 1965 created employment for 62 non-Indian and 298 Indian employees. Of the 298 Indians entering into newly established firms, 229 (as previously noted) entered into employment with the Fairchild Semi-Conductor Division, located on the Navajo Reservation, New Mexico. The additional employment is attributed to: (1) expansion of previously established firms, or (2) initial operations of firms recorded as established in 1964.

The gain of 866 jobs must be considered a net gain of positions. Plant closures resulted in a loss of 72 positions, of which 42 were Indian. Reductions of labor force in agricultural enterprises resulted in losses of employment in that field; however, these losses were minimal. Thus, the year saw a significant growth in employment, although the net gain in operating enterprises was only one.

Indian employment enjoyed a net gain of 430 man-years of employment, which very nearly matched the 436 additional man-years of employment gained in non-Indian employment. This gain seemed to have little if any impact on the unemployment rate in the various areas of Indian lands. This may well have been a result of record keeping and data gathering, rather than a result of any physical changes in the Indian labor force.

1966 Employment

The Bureau and the tribes continued to emphasize the establishment of enterprises that could provide a high volume of employment in a relatively short period of time. For example, in 1966 thirteen of the eighteen enterprises opening were manufacturing facilities.

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[26] *Unless otherwise indicated, employment will hereafter describe ICDP-induced employment only.*

128

Employment of Indians in ICDP-induced enterprises showed a net increase in 1966 of 910 Indian employees, with 798 of those being employed in manufacturing facilities. The data in table 6-8, page 109, point out this increase. The table also reveals the first employment in wholesale and retail enterprises. The new service enterprises opened provided employment for 44 Indians.

The 18 firms opening in 1966 provided 248 new jobs for Indians. As seen in table 6-9 on page 110, Arizona and Florida benefited most from the increases, with Arizona having 94 jobs and Florida 65. New Mexico had only 15 jobs in newly opened firms, but an additional 251 Indians were employed in the Fairchild plant.

The net gain of 940 man-years of employment in this year increased the total by slightly over 70 percent and was over 100 percent greater than the previous increase in man-years of employment. See appendix E.

In September of 1966, the total Indian labor force in the Nation was estimated to be about 132,000,[27] an increase of 12,000 over the March 1966 estimate.[28] During March the estimated rate of unemployment had been 46 percent, while in September the rate had fallen to about 38 percent. These changes were believed to be the result of the seasonality of employment.

Although these are national figures, it is possible that the lands under study had the same pattern of employment.

Employment, 1967-1971

This period was the most active one in the history of the ICDP, with 126 new facilities opening. Closure of 36 businesses left a net gain of 90 operational enterprises, employing an additional 1,476 Indians. By 1971, the total Indian labor force had risen from slightly under 800 in 1962 to 4,658, an increase of over 500 percent.

The increased employment included employment of Indians in many States. The impact of openings and closings of plants varied from State to State. For instance, in 1967, table 6-10, on page 111, shows that Montana lost 20 percent of the Indian labor force when Indians became unemployed as a result of closures or reduction of Indian employment by plants in the State. Montana, as shown in table 6-10, has an Indian unemployment rate of 25 percent in 1967. (See page 111.). Thus, such a loss increased unemployment by one percent.

Meanwhile, the State of Washington had an increase of 180 jobs for Indians. Most of these jobs (157) resulted from the opening of a new

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[27] *Mizen, op. cit., p. 796.*

[28] *Mizen, op. cit., p. 796.*

TABLE 6-8

EMPLOYMENT IN ICDP ESTABLISHED ENTERPRISES

By Industry

(1966-1971)

Industry	1966 Total-Indian	1967 Total-Indian	1968 Total-Indian	1969 Total-Indian	1970 Total-Indian	1971 Total-Indian
Agricultural	78-54	230-48	547-68	154-38	129-25	216-75
Arts & Crafts	241-227	298-258	270-241	337-308	245-227	a
Manufacturing	3,927-1,883	4,633-2,338	5,127-2,739	7,317-3,819	7,877-3,922	8,831-4,185
Services	50-40	91-70	78-59	103-54	155-121	269-210
Wholesale and Retail	25-15	166-25	200-23	187-77	230-129	257-188
TOTALS	4,331-2,223	5,473-2,739	6,222-3,182	8,098-4,296	8,636-4,424	9,573-4,658

a Included in Manufacturing in Bureau Reports.

Source: Compiled from unpublished BIA Quarterly Reports of "Industrial and Commercial Enterprises Established on or near Reservations."

TABLE 6-9

INDIAN EMPLOYMENT IN ICDP ENTERPRISES BY YEAR AND STATE

STATE	1966 New-EOY	1967 New-EOY	1968 New-EOY	1969 New-EOY	1970 New-EOY	1971 New-EOY
Arizona	94-326	160-410	19-531	60-891	27-771	249-1059
Florida	65-65	0-38	0-38	0-34	0-17	0-13
Idaho	4-15	0-14	0-21	0-14	0-13	0-15
Michigan	0-0	0-0	0-0	0-0	0-9	0-11
Minnesota	4-81	2-61	9-60	0-61	0-72	0-93
Mississippi	0-11	0-6	0-6	0-4	10-18	0-55
Montana	12-316	0-256	16-253	106-509	64-511	24-549
Nebraska	0-0	0-0	0-35	8-38	4-30	1-26
Nevada	0-0	0-0	0-0	11-14	0-25	17-48
New Mexico	15-805	0-719	2-891	106-1717	127-1752	0-1748
New York	0-0	0-48	17-48	0-58	0-58	0-34
North Dakota	5-138	0-105	12-126	0-118	7-132	26-178
Oregon	0-0	29-29	0-52	11-101	0-86	0-132
South Dakota	24-331	40-511	0-296	68-248	0-325	31-268
Utah	0-0	0-0	0-0	12-12	10-22	51-87
Washington	0-0	0-217	26-291	0-249	0-217	2-123
Wisconsin	12-165	0-217	0-211	8-187	0-152	0-140
Wyoming	0-0	0-0	0-10	0-43	0-25	0-12
TOTALS	227-2253	231-2631	82-2855	390-4281	258-4231	401-4591

Key: New: New employment in enterprises started during year.

EOY: Total number of Indians employed in ICDP enterprises at year end.

SOURCE: Compiled from unpublished B.I.A. Reports on "Employment in Industrial and Commercial Enterprises Established in Indian Labor Force Area."

TABLE 6-10

INDIAN LABOR FORCE AND EMPLOYMENT BY STATE IN SELECTED YEARS

STATE	1967 (1)	1967 (2)	1967 (3)	1969 (1)	1969 (2)	1969 (3)	1971 (1)	1971 (2)	1971 (3)
Arizona	41,298	27,521	37	48,594	24,096	50	52,385	30,815	41
Colorado	556	153	72	559	178	68	573	316	45
Florida	411	356	13	428	357	17	391	357	9
Iowa	111	94	15	119	103	13	118	77	35
Idaho	2,046	1,240	39	1,955	1,146	41	1,713	1,024	43
Michigan	236	163	31	247	178	48	1,085	414	62
Minnesota	3,010	2,019	33	3,300	1,993	40	3,586	2,078	42
Mississippi	1,020	766	25	1,020	766	25	945	839	11
Montana	5,741	4,311	25	6,040	3,733	38	6,123	3,654	40
Nebraska	927	524	43	886	563	36	1,145	426	63
Nevada	770	549	25	770	549	29	1,021	547	46
New Mexico	8,204	4,833	42	10,059	5,164	49	25,479	16,211	36
North Dakota	3,473	1,737	50	3,545	1,500	58	4,106	1,642	60
Oregon	1,004	640	36	963	743	23	947	671	29
South Dakota	8,895	5,467	40	9,009	5,036	44	7,781	4,264	45
Utah	384	124	68		not reported		1,876	1,175	37
Washington	4,493	3,540	21	4,612	3,445	26	5,266	3,415	35
Wisconsin	2,066	1,623	21	2,137	1,549	28	2,051	1,315	36
Wyoming	1,219	913	25	1,191	872	27	1,096	601	45

Key: (1) Total Labor Force Available
(2) Total Employed
(3) Percentage of Employment

SOURCE: Compiled from Indian Reservation Labor Force and Unemployment, Annual Report of Bureau of Indian Affairs (unpublished).

furniture factory near the Yakima Reservation. An increase of 180 jobs may not seem significant; yet, in this case the result was a four percent reduction in Indian unemployment in the State.

In 1967, as in previous years, the greatest increase in Indian employment came through manufacturing firms. Some increases were evident in other areas, but these were minimal. Indian employment in nonmanufacturing activities was slightly over 14 percent of the total labor force being employed in ICDP-induced facilities.

The employment of Indians and non-Indians in ICDP-induced enterprises had been approximately 50 percent each year until 1970. See figure 6-1, page 113. However, between 1969 and 1971, the number of enterprises operating on or near Indian lands under study rose from 78 to 123. During this period, employment of Indians rose from 3,040 to 4,915, a net increase of 1,875. Thus, the percentage of Indians employed in ICDP facilities dropped to 48 percent. This trend was contrary to the intent of the program as expressed by Commissioner Nash in 1962.[29] Prior to 1971, Indian employment had been slightly higher than non-Indian employment at all times. For example, in 1969, Indian employment had exceeded non-Indian employment by 494 persons.

The opening and closing of plants through efforts of the ICDP has had varying effect on the employment rate in various States. For example, in 1969, seven new firms were opened in the State of Arizona, employing 60 Indians (table 5-1, page 67), while two firms closed. One company had never become operational, and the other had never employed over one Indian. Thus, the closings had no significant impact on the employment picture.

Opening of the new facilities had some impact on the rate of unemployment in the State. As shown in table 6-10, page 111, while two firms in Arizona rose by over 7,000 Indians, and employment dropped by 3,425. The employment of Indians in ICDP facilities in the State rose from 531 in 1968 to 888 in 1971. This additional number of Indians employed accounted for the employment of five percent of the people entering the labor force during the year. The 60 new positions opened constituted 17 percent of the increased employment opportunities.

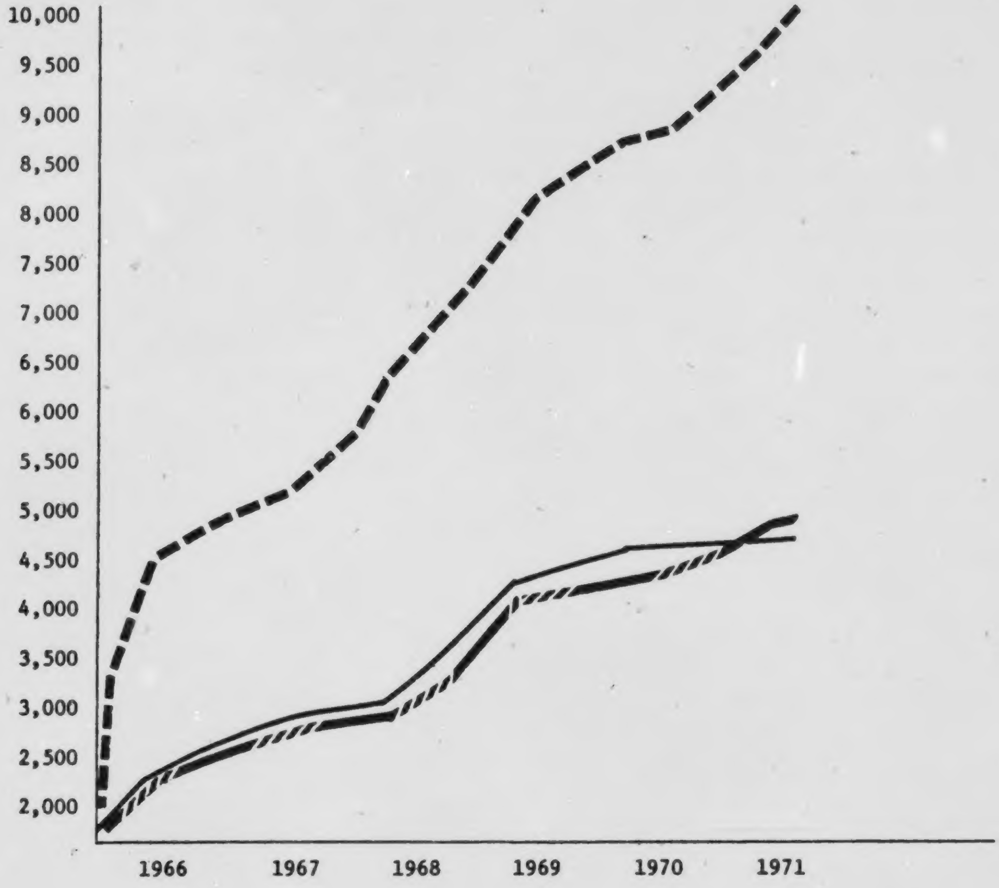
The rate of unemployment in Arizona rose from 37 percent in 1967 to 50 percent in 1969. Without the employment in ICDP facilities, the rate would have been 56 percent.

The State of South Dakota suffered a net loss of operating firms in 1969, with three openings and four closings. The openings created 68 new employment opportunities, while the closings caused a loss of 34 jobs. The new gain of 34 jobs had virtually no impact on Indian unemployment problems in the State.

[29] *Secretary of the Interior, Annual Report, 1963, op. cit.*

FIGURE 6-1

INDIAN AND NON-INDIAN EMPLOYMENT
IN ICDP ENTERPRISES
(1966-1971)



Key: Indian ━━━━
Non-Indian ▨▨━━
Total ▬ ▬ ▬ ▬

The total labor force grew by 114 persons between 1967 and 1969. Employment in ICDP facilities in the State dropped from 511 in 1967 to 263 in 1969. Much of the loss was attributable to the closing of the Wright-McGill facility in 1968. This firm had employed 250 Indians. The increase in the unemployment rate from 40 percent in 1967 to 44 percent in 1969 can somewhat be accounted for by the 49 percent loss of employment in ICDP facilities. Employment in such facilities had accounted for over nine percent of those Indians employed in 1967. In 1969, this dropped to four percent.

The furniture factory opened in 1967 in Yakima, Washington, closed in 1970, resulting in a loss of employment for 212 Indians. The loss of jobs combined with an increase in the labor force (see table 6-10) caused an increase of nine percent in the unemployment rate among the Indians of the State, raising the rate from 26 percent in 1969 to 35 percent in 1971.

The measure of employment on a State-by-State basis has provided a general view of the broad impact of the ICDP. However, a more important measure is the impact ICDP has had on specific reservations.

RESERVATION IMPACT

The ICDP has had varying impact on reservations. In most cases, firms locating on reservations employ 10 percent or less of the total labor force of the reservation.[30] However, on the Navajo Reservation, the total number of enterprises employ 1,608 of the 36,570-person labor force, resulting in employment of less than five percent of the labor force.[31]

The results differ on a small reservation such as the Crow Reservation in Montana. Here, with a labor force of 940, and 187 employed in ICDP-established enterprises, the rate of ICDP employment is approximately 20 percent.[32] One industry on this reservation, Big Horn Carpet Mills, employs slightly over seven percent of the labor force. The firm is currently employing Indians as line supervisors and clerical personnel.

These are general examples of the varied impact developments have had on reservations. Some further examples of specific industries follow.

Fort Peck Tribal Industries

The history of Fort Peck Tribal Industries is included as appendix B-10. This firm is tribally owned and employs 10 percent of the reservation labor force when it is in operation. The labor force is over 85 percent Indian, and Indians are used as managers and clerical personnel, with wages ranging from $1.65 to $2.09 per hour. In the view of tribal officials, this company is extremely important to the reservation economy. One official said:

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[30] *Industrial Development Questionnaire.*

[31] *These data were extracted from Bureau of Indian Affairs, "Employment in Industrial and Commercial Enterprises Established in Indian Labor Force Areas" (Washington: Bureau of Indian Affairs, 1971)(Duplicated), and Bureau of Indian Affairs, "Summary of Reservation Development Studies and Analyses" (Washington: Bureau of Indian Affairs, 1969)(Duplicated).*

[32] *Ibid.*

> The need for developing business enterprises on the reservation is so great that words can't describe this urgency. Our industry at present isn't functioning because we've completed one contract and are awaiting another to materialize. The impact of this shutdown is terrible. The whole economy has slowed down and not only are our welfare funds being depleted but our law and order problems are mounting . . . . .[33]

Lakota Products, Inc.

The South-Dakota-based firm of Lakota Products, Inc., is located on the Rosebud Reservation. The company manufactures wood products, using Indian personnel for over 85 percent of the labor force. Indians are provided training during their early days of employment, and several are being used as management personnel. The company employs over 10 percent but less than 20 percent of the local labor force.[34]

The benefits enjoyed by the Indian people as a result of these business establishments are greater than just employment. As can be seen, the establishment of a business often results in the Indian being trained for employment, employed as a manager, supervisor, or in a clerical position, enjoying wages higher than minimum wages, and in many instances makes it possible to reduce the welfare costs on the reservation.

Training in ICDP Enterprises

In 86 percent of the industries being established by the Bureau and tribes, some form of training is being offered to new employees.[35] In 59 percent of the cases, this training period is supported through use of Bureau OJT funds. In some instances (13 percent), the employer had paid for the training. In others, the employees have already been trained, through previous experience or one of the manpower development training programs--Federal, State, or in some instances, tribal.

In a recent manpower survey of the Navajo Tribe, more than 21,000 expressed an interest in being trained for new or better jobs.[36] Several

[33] *Industrial Development Questionnaire.*

[34] *Industrial Development Questionnaire.*

[35] *Ibid.*

[36] *Bureau of Indian Affairs, "New Industrial Opportunity in Navajoland, Education and Training" (Window Rock, Arizona: Bureau of Indian Affairs, 1972) (Pamphlet).*

people reported they were receiving training as cashiers, secretaries, welders, and cartographers at the Manpower Development Training Center at Fort Defiance.[37] In addition, 74 percent of the people reported receiving occupational training on the job.

Occupational training in on-the-job situations varies from the complete initial training program conducted by General Dynamics Corporation (see appendix B-13) in an on-site program to the program used by Textronics, Inc., to train the Warm Springs assembly plant personnel at the Textronics plant.

Such training programs have made it possible for Indians to be utilized in positions other than laborers in an assembly line situation.

Indian Managers

There has been a reluctance among Indians to accept supervisory positions in the past.[38] However, this seems to have been disappearing in recent years, although the Bureau still recognizes it as a major problem that might face employers locating on reservations.[39]

In 41 percent of the plants surveyed,[40] Indians are employed as line supervisors, and in 27 percent the plant managers are Indian. The General Dynamics plant (see appendix B-13) has an Indian general foreman supervising the activities of 90 employees, 81 of whom are Indian.

The Warm Springs assembly plant (see appendix B-15) has a 100 percent Indian labor force. The plant manager, line supervisors, and clerical personnel are all from the same tribe. As previously discussed in chapter 5, this firm is contemplating expansion.

Even in firms no longer in operation on the reservations, Indians have performed duties as managers, supervisors, and clerical personnel.

The Prest-Wheel Company, located on Colorado River Indian Reservation, Parker, Arizona, introduced a new philosophy when Prest-Wheel Vice President Sam Lockshin refused to hire Indians only as workers.[41] Lockshin said, "I was determined to develop a management attitude and responsibility among the people on the reservation." In this, he was somewhat successful.

[37] *Ibid.*

[38] *Sorkin, op. cit., p. 95.*

[39] *Bureau of Indian Affairs, "Facts about Indian Workers" (Washington: Bureau of Indian Affairs, n.d.) (Pamphlet).*

[40] *Industrial Development Questionnaire.*

[41] *The Arizona Republic, Phoenix, Arizona, July 20, 1962, p. B-1.*

In six months, five Indians were line supervisors, a young Kickapoo Indian from Oklahoma was production planner and Vincent Scott of Colorado River was the plant superintendent.

Many of the Indian owned and operated businesses are completely manned by Indians, further dispelling the concept that they will not accept managerial responsibilities. In 45 percent of the firms surveyed, Indians are also now filling clerical positions.[42] This may well lead some of them into managerial positions.

Wages and Welfare

With Indians now being employed in managerial positions, the wage scale has varied from the $1.60 minimum wage scale to as high as $4.50, which is paid at the Warm Springs assembly plant.[43] It is recognized that in some States the wage scale on reservations has often been lower than the scale paid in the surrounding areas.[44] However, 46 percent of the firms do pay wages in excess of $2.10 per hour and in 18 percent, the wage scale is over $3.10 per hour.[45]

The worker employed at $1.85 per hour has a potential annual salary of $3,700, slightly above the poverty level. However, prior to becoming employed, he or she may well have been existing on welfare payments or general assistance funds provided by the Bureau. This may also have been true of the $3.10 per hour worker, who could now be earning $6,200 per year.

Indian employment or unemployment has had a direct effect on public assistance costs borne by the State in which the reservation is located.[46] When such public assistance is not available or is insufficient to support Indian living needs, the Bureau supplements payments through general assistance funds.[47] In 1970, the Bureau expended $6,628,520 in such funds to Indians residing in areas included in this study.

As can be seen in Table 6-11 on the following page, over 80 percent of the funds were expended in payments to Indians getting 31 percent of the total. Per-case cost in Arizona was $1,458; while in North Dakota, cost on a per-case basis was $2,083. The average cost on a nation-wide basis was $1,458.

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[42] *Industrial Development Questionnaire.*

[43] *See Appendix B-15, Case History of Warms Springs Assembly.*

[44] *Sorkin, op. cit., p. 88.*

[45] *Industrial Development Questionnaire.*

[46] *Sorkin, op. cit., p. 162.*

[47] *Ibid., pp. 162-164.*

TABLE 6-11

GENERAL ASSISTANCE FUNDS EXPENDED

(by States for 1969-70)

	Cases	Persons	$ Expenditures[a]
Arizona	1,391	4,731	$2,028,156
Idaho	15	49	18,640
Minnesota	106	464	117,594
Mississippi	268	739	252,652
Montana	753	2,678	1,129,924
Nebraska	56	172	66,438
Nevada	108	250	163,373
New Mexico	365	1,164	399,640
North Dakota	620	3,017	1,291,854
South Dakota	826	3,206	1,102,832
TOTALS	4,508	16,407	$6,570,653

(a) Figures rounded to nearest dollar.

Source: Extracted from 1969-1970 Bureau of Indian Affairs, "Expenditures for General Assistance, By State," Branch of Social Services, Bureau of Indian Affairs, central files, (unpublished).

Using the figures in columns two and three of table 6-11, it is possible to ascertain that the average case load consisted of 3.64 persons. This indicates that the average family supported with the program could be considered to be four persons. Thus, the employment of 4,568 Indians in ICDP-induced businesses probably creates a means of livelihood for 18,272 Indian people.

In table 6-12, it has been shown that the Federal and tribal cost per man-year of employment has varied from a high of $303,825 for the defunct Parker Textile Company to none for the Suntex Veneer Corporation and Omni-Lab, Inc. Including these extremes, one sees that average cost per man-year of employment has been $1,059. Much of this cost includes recoverable funds invested by tribes, using Federal loans or their own tribal funds.

In comparing the cost of Federal welfare payments to the cost per man-year of employment, it is evident that actual costs favor the establishment of employment opportunities in reservation areas as rapidly as possible. The availability of funds for such development is and has been a major deterrent to such endeavors. However, job creation is an essential factor in the Bureau's ICDP program.

Since the program's primary emphasis is promoting industrial development on the reservations, consideration must be given to potential economic benefits which will accompany the increased employment opportunities. A rather detailed study of a sample of the employees of a South-Dakota-based firm, Wright-McGill Company, indicates that basically the impact is likely to be higher incomes and lower dependence upon welfare for those employed.[48] Despite the doubling of income between 1960 and 1965 of the 48 families surveyed, 31 of them remained below the $3,000 poverty level of income in 1965.[49] While 16 of the families surveyed had been on welfare prior to employment, this figure was reduced to 10 during the first five years of employment and total welfare payments declined from $4,816 per family to $2,984 in the same period.[50] The reduction of welfare dependence for this group was somewhat greater in comparison to projections of what it might have been without the added employment. It was estimated that 20 of the employees would have needed a total of $9,841 in welfare assistance in 1965 had they not been employed by Wright-McGill.

These data can be somewhat substantiated through use of comparative data gathered through the employee questionnaire. Fourteen of the employees responding to the questionnaire were not employed full time when they accepted employment. Each was receiving some form of welfare assistance, some from more than one source. Nine of the persons were receiving State assistance, and five were being assisted through Federal and tribal assistance.

[48] *Department of the Interior, The Social and Economic Effects of Reservation Industrial Employment on Indian Employees and Their Families, Missouri River Basin Investigation Project (Billings, Montana: Bureau of Indian Affairs, 1968) p. 23.*

[49] *Ibid.*

[50] *Ibid.*

TABLE 6-12

FEDERAL AND TRIBAL INVESTMENT COST

PER MAN-YEAR INDIAN EMPLOYMENT

	(a) Federal and Tribal Investment Costs	Bureau OJT Costs	Total(b) Man Years Employment	Direct(c) Cost Per Man Year
Parker Textile	$ 405,101	$ -0-	0.75	$303,825
Burnell & Co., Inc.	-0-	267,127	928	287
Wright-McGill Co.	-0-	161,881	943	171
Firesteel (Aspen) Lumber Co.	500,000 (d)	26,752	259	2,033
Fairchild Semiconductor	844,000 (e)	2,932,208	4,422	854
Iowa Meat Products, Inc.	-0-	-0-	40	144(f)
Suntex Veneer Corp.	-0-	-0-	270	-0-
Amphenol (Bunker-Ramo) Corp.	-0- (e)	8,400	104	81
Omni-Lab, Inc.	-0-	-0-	57	-0-
Ft. Peck Tribal' Industries, Inc.	275,000	148,621	388	1,091
Chata Construction Co.	366,482	50,000	21	19,832
Big Horn Carpet Mills, Inc.	1,100,000(e)	132,746	315	3,913
General Dynamics, Inc.	800,000(e)	505,116	490	1,030
Barron Container Corp.	35,000(e)	-0-	78	448
Warm Springs Assembly Plant	10,000	-0-	60	167
Turtle Mountain Industries	11,000	-0-	-0-	11,000
Ft. Belknap Builders, Inc.	350,000	27,641	87	4,430
TOTALS	$4,696,583	$4,260,492	8,462(g)	$1,059(h)

(a) Does not include EDA grants for establishment of industrial parks.
(b) Includes only employment of Indians.
(c) Costs of investment/man-years of employment.
(d) Includes Federal or tribal loans made on a recoverable basis.
(e) Lease arrangements made with firm to recover investment of tribe.
(f) Accounts for MDTA funds used for training.
(g) Total is accumulated annual employment of Indians. Figures rounded.
(h) Rounded to nearest dollar.

Using the data of table 6-11 as a basic cost, it is evident welfare costs for the individuals would amount to $7,290 of Federal and tribal funds, with no return to either the tribe or the Government. These individuals, now employed at an average cost per job of $1,059, may be earning $3,700 or more per year, thus becoming contributors to the economy of the reservation and nearby areas.

Because of the growth of the number of young Indians on the reservations, it is important to continue the efforts to create employment opportunities. Thus, new entrants to the labor force will have a good chance to become contributors to, rather than a taker from, the economy of a growing population.

Reservation Population

The 1972 reservation population, as shown in the following table, has nearly as many residents under 16 as there are between the years of 16 and 64, while the population over 65 is slightly under 26,000. Thus, there is a heavy skew in the population to the side of youth.

Table 6-13

Reservation Population by Age Groups
(1972)

Age	Population Size
Under 16	199,209
16 - 34	146,278
35 - 64	103,274
65 and Over	25,943

Source: Bureau of Indian Affairs, "Program Planning Output Data of 1972 for Reservation Analysis" (Washington: Bureau of Indian Affairs, December 1972) (Computer Printouts).

The age groupings are somewhat broader than optimum for evaluating the number of entrances and departures from the labor force during peak age periods of 18-21 and 62-65. However, it is quite evident that more persons will be entering the labor force in the next few years than will be leaving.

While the table does not break down the population by sex, it is recognized that many Indian women are currently employed in a variety of endeavors, and this trend will undoubtedly continue in the future. This makes it even more imperative that job creation efforts be continued or even expanded.

SUMMARY

During the ten years since the Bureau embarked on its program to increase employment opportunities on Indian reservations, the number of Indians employed in ICDP-induced enterprises has risen from fewer than 800 to 4,658--an increase of over 500 percent. This rise in employment of Indians did not occur at the same rate as that of non-Indian employment, which rose to 5,576--an increase of some 660 percent. This is somewhat contrary to the objectives of the program. It is also an area which must be given consideration in future establishment of industrial enterprises.

This problem appears to have been caused by two factors: (1) Indian resistance to factory labor, and (2) Bureau record keeping relating to ICDP-induced business endeavors.

The first factor is evidenced in the Amphenol case (appendix B-8), where the firm initially planned to employ 100 Indians but was unable to attract Indian applicants in the number needed. The second factor is apparent when such firms as the Walter E. Heller Company and other such firms discussed in the following pages are recorded as ICDP enterprises while the major benefits accruing to the Indians are not in the form of employment of Indian people. Rather, these firms are established as an investment opportunity.

The drastic rise in the number of non-Indian employees can be somewhat accounted for by looking at the employment levels of three firms: (1) Gulton Industries opened a facility at the Isleta Pueblo in March of 1970--at year's end in 1970, the firm was employing 215 non-Indian people and eight Indians; (2) Walter E. Heller Company, a firm operating in Louisville, Mississippi, since 1963, increased its non-Indian employment by 485 persons while increasing Indian employment by six (the firm employed 977 non-Indians and eight Indians); and (3) Barron Container Corporation operating in the Pima Industrial Park near Chandler, Arizona, increased its labor force from 37, of which 27 were Indians, to 190, with 51 of them Indian.

In none of these firms was the 70 percent Indian objective reached. In fact, Barron Container was high, with 30 percent, and Walter Heller low, with less than one percent.

While employment has been the primary emphasis of the ICDP program, the Walter E. Heller Company is looked upon as a good investment by the tribe. A tribal official stated:

> Walter E. Heller Co. was established under an industrial development loan to construct boxes for Spartis Corp., with the tribe securing the loan for purchase of land and building. Employment was 8-10 Choctaws . . . It must be noted, however,

both in terms of continued employment for the tribal members and in terms of lease payments continuing to meet the loan payments, while the value of the property has increased substantially.[51]

Thus, employment of tribal members is not the sole criterion that can be used to determine the economic impact of a firm's location in an Indian area. Income and ownership of facilities must also be considered.

The vast majority of the employment generated has been in manufacturing type facilities, with just over 10 percent of the Indians employed in nonmanufacturing. If the ratio of gaining 0.65 nonmanufacturing jobs to each manufacturing position were reached by ICDP,[52] the service and other type employment would expand to 2,720.

The ICDP emphasis on development of such enterprises should improve the current ratio and might help increase the number of Indian-owned enterprises located in reservation areas. Such a move should also increase direct income to individual entrepreneurs.

This is important to the reservation economy, since the majority of Indians (76 percent) are spending their earnings off the reservation.[53] The primary reason for this has been stated to be the lack of stores and services on the reservation.

Several major corporations locating on reservations have consistently used a higher number of Indian than non-Indian employees. These firms have definitely increased employment opportunities for Indians. In many of them, salaries have been excellent, and several have used Indians as managers. There have also been several tribally owned industries that have used mostly Indian employees.

The impact that establishment of industrial and commercial enterprises has had on reservation income and the ownership and/or management of facilities locating as a result of the ICDP are discussed in the next chapter.

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[51] *Industrial Development Questionnaire.*

[52] *This ratio is cited in Mamie L. Mizen's Report of 1966 and also in "What New Industrial Jobs Mean to a Community" (Washington: Chamber of Commerce of the U.S., 1968), pp. 4-5.*

[53] *Employee Questionnaire.*

Chapter 7

INCOME AND OWNERSHIP

In the previous chapter, the central theme was the creation of employment opportunities for Indian people residing on reservations. The Industrial and Commercial Development Program efforts to establish industries having a high potential for utilization of many Indian workers were presented in some detail. Other sources of employment available to reservation-dwelling Indians were also outlined briefly. The discussion revealed that the largest employers of Indian people were Government agencies--Federal, State, or tribal--with ICDP-established enterprises third in total employment (see table 6-5, on page 100).

This chapter is divided into two parts: the presentation of income generation on reservations, and a discussion of the forms of ownership and/or management of enterprises established in reservation areas with the assistance of the ICDP.

The income portion is presented in two sections: sources and types of income generated in reservation areas, and a presentation of the individual income generated through employment in ICDP-established enterprises.

Similarly, the discussion of ownership and/or management of ICDP-induced enterprises will be divided into sections: Indian ownership of reservation located businesses, and the patterns of non-Indian ownership of facilities and Indian management or supervision in such establishments.

INCOME PATTERNS

During the decade 1961-1971, wage earners in the United States were favored with increases in the Federal minimum wage laws, which affected the majority of the workers in the United States, especially those employed in manufacturing industries. The minimum wage rose from $1.15 per hour in 1961 to $1.25 in 1962, then to $1.40 in 1967. In 1968, the minimum wage scale was raised to $1.60 per hour and has remained at that rate to date.

The minimum wage law does not apply to all workers. Wage scales do vary from industry to industry and from State to State. There are also variations in the local wage scales paid to Indian and non-Indian workers. This disparity is shown in the following table:

Table 7-1

Comparative Wage Rates, Various Occupations, Pine Ridge Reservation and U.S. North Central Region, 1967 (in Dollars)

Occupation	Pine Ridge Reservation[a]	U.S. North Central Region[b]
Laborer	1.60	2.34 - 3.00
Truck Driver	1.60	2.52 - 3.37
Carpenter	2.80	2.99 - 3.74
Electrician	3.25	3.09 - 3.96
Painter	2.55	2.93 - 3.74
Secretary	200.00[c]	390.00 - 556.00[c]
Typist	175.00[c]	254.00 - 452.00[c]

Sources: Consumers Power District, "Industrial Facts, Pine Ridge, South Dakota" (Pine Ridge, South Dakota: Industrial Development Department, February 1968) (Duplicated), p.6; and U.S. Bureau of Labor Statistics, "Wages and Related Benefits, 1966-1967" (Washington: U.S. Department of Labor, 1967), Bulletin 1530-87, Part 1, pp. 18-19 and 34-35.

[a] Average wage rate per hour.

[b] Range of hourly wage rate of metropolitan areas reporting to the Bureau of Labor Statistics.

[c] Per month.

As can be seen, the Indian wage rate is usually below the lower level of the prevailing metropolitan wage scale. This tends to indicate that Indian earnings would generally be lower than those of non-Indian workers performing the same type of labor.

The lack of full and factual data about the individual Indian earnings in ICDP enterprises presented a problem in determining the impact such enterprises have had on the problem of low income for reservation-dwelling Indians.

Problems of Income Data

Prior to 1965, there are no usable data on income available in the Bureau's records. The first "Annual Survey of Reservation Family Income" was instituted by Commissioner R.L. Bennett[1] in 1965. A compilation of this survey provided data on earned income and total family income. Earned income was defined as either wages for work performed as an employee or self-employment income earned as a result of business operations, farming, or professional activities.[2]

Although none of the surveys taken provides a breakdown of earnings for individuals employed in specific industries or enterprises, the Bureau is currently gathering annual data that provide a gross income, by reservation, earned from 10 different program activities. This collection is done by a survey titled "Summary of Reservation Development Studies and Analyses," which provides the Bureau with reservation data for answering queries from parties outside and within the Government. The data are also used for planning and management purposes.[3]

As shown in table 6-5 in the previous chapter, the survey indicates total employment and income for various sources; however, there is no separation of income to indicate whether it is individual earnings. Other than Government income, the other activities shown in the table lend themselves to generation of income through leasing.

The 1969 survey ranked employment and income generated by the various types of activities shown in table 6-5. On 49 of the 106 reservations reported in the survey, the income generated by commercial and industrial operations was ranked No. 1. There is no indication that these earnings came from enterprises established through the ICDP; however, it does indicate the importance of these activities in the total income figure.

Business enterprises are often extremely important in generating tribal income. Many of the EDA funds granted to tribes have been provided for the purpose of establishing industrial parks, which can be used to attract industries to locate on the reservations.[4] For example, in the

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[1] *Bureau of Indian Affairs, "Survey of Reservation Family Income" (Washington: Bureau of Indian Affairs, 1965) (Duplicated Memorandum).*

[2] *Ibid., p. 3.*

[3] *Bureau of Indian Affairs, "Reservation Development Studies: Summary, Analysis, and Future" (Washington: Bureau of Indian Affairs, 1969) (Duplicated Memorandum).*

[4] *Alan L. Sorkin, American Indians and Federal Aid (Washington: The Brookings Institution, 1971), p. 93.*

State of Arizona, EDA has expended $68,549,000 on Indian developments since 1966.[5] These expenditures vary from $5,555,000 in public works grants to $2,512,000 in business loans. The use of public works grant funds to establish industrial parks often creates an opportunity for tribes to acquire income that is not dependent on the employment of local Indian residents. This is referred to as tribal income. Such income may or may not be disbursed to individuals of the tribe.

TRIBAL INCOME

The majority of the tribes involved in this study have been organized under the provisions of the Indian Reorganization Act of 1934. Each tribe varies in the manner in which income from tribal earnings will be distributed to tribal members or the manner in which such income will be invested.

Many tribes derive income from the leasing of lands for grazing purposes or generate income from acreage containing natural resources, such as oil, minerals, and natural gas. Other income is generated through the establishment of industrial enterprises or industrial parks on reservation lands.

The income realized from business enterprises is often directly related to the activities of ICDP. The exact amounts of income generated by individual enterprises are treated as confidential by the Bureau, in that leases are negotiated between tribal officials and officials of firms. However, it is possible to determine the exact amount of income generated by the leasing of business acres. This can be determined on a State-by-State and a reservation-by-reservation basis. These data are shown in table 7-2, page 128.

Business Leasing Income

In 1969 a total of 84,350 business acres were leased throughout the lands included in this study. These acres created a total income of $2,413,064 to the tribes.[6] As can be seen in table 7-2 on the following page, Arizona Indian tribes rent the greatest number of business acres. New Mexico Indians have the highest income generated by leasing of business acreage. Those in Mississippi reap the highest income per acre, with an income of $977 per acre leased. This is closely followed by Michigan at $900 per acre.

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[5] *Economic Development Administration,* *EDA Directory of Approved Projects* *(Washington: U.S. Department of Commerce, 1971), pp. 10-14.*

[6] *Bureau of Indian Affairs, "Annual Report on Indian Lands," (Washington: Bureau of Indian Affairs, 1969) (Duplicated), pp. 65-65.*

TABLE 7-2

1969 INCOME FROM BUSINESS LEASES BY STATE[a]

State	Acres Leased	Total Income	Income Per Acre	Number Employable	Income Per Employable
Arizona	33,426	$730,471	$ 21	48,594	$ 15
Colorado	22	3,500	166	559	6
Florida	393	202,824	516	428	474
Idaho	1,202	25,195	20	1,955	13
Michigan	1/3	300	900	247	1
Minnesota	1,054	36,524	25	3,300	11
Mississippi	19	18,570	977	1,020	18
Montana	4,156	23,205	6	6,040	4
Nebraska	25	321	12	886	.36¢[b]
Nevada	6,157	37,189	6	770	48
New Mexico	12,993	462,082	35	10,059	46
North Dakota	626	7,548	12	3,545	2
Oregon	831	397,536	478	963	413
South Dakota	2,651	25,397	10	9,009	3
Utah	2,643	15,583	6	not available	-
Washington	9,889	387,789	39	4,612	84
Wisconsin	8,194	38,147	5	2.137	18
Wyoming	67	875	13	1,191	.73¢[b]

[a] All figures rounded to nearest acre and dollar.

[b] Included although below $1,00 used in rounding.

Source: Compiled from data contained in "Indian Reservation Labor Force and Unemployment" and "Annual Report on Indian Lands." Unpublished annual B.I.A. Reports.

It is evident from the table that the annual business lease income generated on reservations becomes insignificant in comparison with the number of Indian employables in each State. With two exceptions, Florida and Oregon, the earnings per employable are less than $100, and in two cases, Nebraska and Wyoming, earnings amount to less than $1.00 per employable.

In addition to the income from business leases, tribes enjoy income from operations of tribally owned enterprises. This income is in many cases quite substantial.

Business Operation Income

With many tribes, the major source of income from operations comes from farming and ranching conducted by the tribe.[7] However, there are many industrial and commercial enterprises currently in operation on the reservations, creating income for the tribes. The problem of privacy of income again makes it necessary to use a State-by-State analysis of income generated by nonagricultural business activity. Here again it is somewhat difficult to pinpoint a direct relationship between the ICDP and the earnings reported.

Table 7-3 on the following page reveals that two States--New Mexico and Oregon--have Indian tribal income from business enterprises in the neighborhood of $5 million. Arizona has over $2.5 million, Wyoming $3 million, and Montana nearly $2 million. The per employable return is highest in Oregon ($5,086) and lowest in Wisconsin ($25).

When income from business leases and business income are combined, it is seen that Oregon Indians still retain the lead in per employable. Annual income rises to $4,897,536, giving a return per employable of $5,086. New Mexico return becomes $505 per employable.

These two States have similar total income, but the high Indian population of New Mexico makes the rate per employable a great deal lower. Thus, the true impact of such income can only be ascertained on a per capita basis for each State.

Establishment of industry through ICDP has stimulated income generation. However, it is almost impossible to state precisely how much tribal income has been generated. There are some data available on lease income that give some indication of the magnitude of income, other than employment income, which can be created by establishing industry on reservation.

Figure 7-1, immediately following, shows such income generation. Actual firm names cannot be disclosed; however, the State in which the industry is located is indicated.

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[7] *Henry W. Hough, Development of Indian Resources (Denver: World Press, Inc., 1967), pp. 78-79.*

TABLE 7-3

TRIBAL BUSINESS INCOME BY STATE (1969)

State	Business Land Leases	Business Operations	Total Income	Employables	Income Per Employables [a]
Arizona	$730,471	$2,457,000	$3,187,741	48,594	$ 66
Colorado	3,500	10,000	13,500	559	24
Florida	202,824	150,000	352,824	428	824
Idaho	25,195	73,000	98,195	1,955	50
Michigan	300	-0-	300	247	1
Minnesota	36,524	54,025	90,549	3,300	27
Mississippi	18,578	50,000	68,578	1,020	67
Montana	23,205	1,805,000	1,828,205	6,040	303
Nebraska	321	10,000	10,321	886	12
Nevada	37,189	47,700	84,889	770	110
New Mexico	462,082	4,617,040	5,079,122	10,059	4,796
N. Dakota	7,548	95,000	102,548	3,545	29
Oregon	397,536	4,500,000	4,897,536	963	5,086
South Dakota	25,397	812,700	838,097	9,009	93
Utah	15,583	9,500	25,083	not available	-0-
Washington	387,789	1,806,000	2,193,789	4,612	477
Wisconsin	38,147	14,550	52,697	2,137	25
Wyoming	875	3,000,000	3,000,875	1,191	2,520

[a] Rounded to the nearest dollar.

Source: Compiled form data contained in "Federal and State Indian Reservations" (an EDA handbook) U.S. Department of Commerce, Washington, D.C., January 1971, and "Annual Report on Indian Lands" Bureau of Indian Affairs, U.S. Department of the Interior (unpublished).

Figure 7-1

Lease and Earnings Income of Eight
ICDP Establishments

State	Type of Activity	Annual Lease Earnings
Arizona	Manufacturing	$66,000
Arizona	Manufacturing	100
Arizona	Manufacturing	82,500
Arizona	Manufacturing	81,427
New Mexico	Manufacturing	74,306
New Mexico	Manufacturing	31,267
Montana	Manufacturing	4,800
Montana	Manufacturing	57,750

Source: Results of telephone survey made by the author and Harry Dohm, Real Estate Appraisal, Branch of Real Estate Services, BIA, November 1972.

These industries have been established on the reservations primarily to provide employment for the local Indians.[8] Therefore, the income generated may well be only a small part of the income that becomes available to the reservation area. In many instances, the plant facilities are tribally owned, and the income is rental income, which is usually based on the recovery of investments made by the tribe. However, the individual earnings can be construed to be income not related to direct return on investment.

INDIVIDUAL INCOME

Since there are no official earnings data in the Bureau, it has been assumed that Indians employed in ICDP businesses were paid at least the minimum wage scale. Thus, this scale will be used to develop an annual summary of income generation. This technique will be used for all years of the study, including 1971. However, for the year 1971, the results of the Employee Questionnaire will be used to provide another view of the impact the ICDP has had on the income of Indians on various reservations, as well as the total earned Indian income which has been generated through employment in ICDP enterprises.

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[8] *Ibid.*, p. 190.

The problem of determining the impact of lease income on individual income is for practical purposes all but impossible, since the distribution of income is a tribal decision. However, one measure of impact which appeared to be reasonable is to divide the lease income by the number of employables. This approach allows a more equitable view of the value of the lease in relationship to the employables on a reservation, although it does not allow any direct analysis of individual income benefits.

Presentation of Data

In order to show some direct relationship to ICDP impact on income, total annual earnings generated by the firms studied will be presented. Annual earnings by industry classification and a reservation-by-reservation summary of earnings, for the period 1966-1971, is shown to provide a comparison of income generated. Because of data limitations, the 1963-1965 period is presented only by industry classification. Earnings are based on the minimum wage of $1.25 per hour, which was the Federal minimum wage of the period.

Earnings, 1963-1965

The 1963-1965 period was marked by nearly a 36 percent growth in income generated by employment in ICDP enterprises. As shown in table 7-4, the major part of the income came as a result of increased employment in manufacturing facilities. The period also saw a significant increase in earnings in the arts and crafts industry.

Table 3-1, page 39, indicated that the Bureau expended a total of $804,545 in on-the-job training (OJT) funds during this period, with the majority of this being expended in firms established with the assistance of ICDP.[9] With gross earnings of $7,615,000, it is evident that the earnings to Bureau OJT expenditure ratio was in excess of 9:1. The ratio of expenditure to earnings still remains favorable when the ICDP budgeted costs of $1,699,600 (table 3-1) are added to the OJT expenditures. The ratio now becomes just over 3:1, which would appear to be favorable. However, it must be recognized that it would fall drastically if all investment capital of tribes, private sources and other Government agencies were included as expenditures.

It is further recognized that the ratio could be slightly lower or higher if actual earnings could be ascertained. The $1.25 per hour minimum wage scale used during this period could be somewhat high for those individuals employed in agricultural enterprises or arts and crafts. However, there is evidence that some individuals employed in manufacturing activities were earning in excess of this amount (see appendix B-3, Wright-McGill Company).

[9] *Bureau of Indian Affairs, "Annual Statistical Summary, 1970," Division of Employment Assistance (Washington: Bureau of Indian Affairs, 1970), pp. 108-118.*

TABLE 7-4

INCOME EARNED IN ICDP ESTABLISHED ENTERPRISES[a] (1963-1965)

Industry	1963	1964	1965	Percent Change 1963-1965
Agriculture	$ 60,000	$ 67,500	$ 57,500	- .04
Arts & Crafts	307,500	412,500	512,500	$ 40
Manufacturing	1,722,500	1,737,500	2,712,500	+ 36
Services	25,000	-0-	-0-	- 100
TOTAL	$2,115,000	$2,217,500	$3,282,500	+ 35.5

[a] Based on 2,000 man-hours of employment per man-year of employment.

SOURCE: Compiled by author using data from Table 6-6, page 105.

The natural outcome of the growth in the number of employment opportunities is the increase of annual earnings by the Indian employees in ICDP enterprises. This growth was very evident in the 1966-1971 period.

Earnings, 1966-1971

The employment of Indians in ICDP enterprises increased slightly over 100 percent between 1966 and 1971 (table 6-8, page 179). During this same period, earnings increased by 166 percent. Much of this increase can be attributed to increases in the minimum wage scales during those years. In 1966 the Federal minimum wage still was $1.25 per hour. This rose to $1.40 in 1967 and to $1.60 in 1968.

Table 7-5, page 135, and figure 7-2, page 136, reveal total Indian earnings rose from $5,632,500 in 1966 to $14,985,600 in 1971. Earnings in manufacturing facilities increased by over 280 percent during the period, rising from $4,782,500 in 1966 to $13,472,000 in 1971. While this is a major increase in total earnings, the most significant increase has come in the wholesale-retail industry. Here earnings rose by over 1500 percent, from $37,500 in 1966 to $601,600 in 1971. This rise in earnings in the wholesale and retail industry is a favorable trend. If this trend continues, there will be a better balance of earnings opportunities in the future since earnings in manufacturing will tend to remain on the reservations.

The rise in total income through earnings is a natural outgrowth of the increase in the number of industries established by ICDP and the increased Indian employment in those industries. The impact of total earnings may not be as relevant as the impact that earnings have on local economic conditions. The added Indian income in a State and local area has a desirable effect on the economic conditions of the State, not just on the economic conditions of the Indian, or the area.

Table 7-6 indicates, by State, the Indian earnings generated by ICDP enterprises located within the State. Arizona and New Mexico, both of which have a high Indian population, show the greatest income generation. Arizona has shown the greatest percentage of increase, with over a 300 percent increase in the six-year period; earnings rose from $815,000 in 1966 to $3,338,800 in 1971. New Mexico's Indian earnings rose from $2,012,500 in 1966 to $5,753,600 in 1971, an increase of 185 percent.

These figures may not seem significant by themselves. However, the earnings have without a doubt made it possible for many Indians to improve their living conditions. The earnings shown for other States have undoubtedly had similar impact on the Indians in those States.

During this period, the Bureau expended a total of $9,237,546 in OJT funds. The ratio of earnings to expenditures dropped slightly, from the previous period's 9:1, to 7:1. When the expenditures of the ICDP are added to the OJT expenditures, there is a cost of $15,629,546. This reduces the ratio of Government expenditures to earnings to 4:1, which

TABLE 7-5

INCOME EARNED IN ICDP ESTABLISHED ENTERPRISES[a]

Industry	1966	1967	1968	1969	1970	1971	Percent Increase In Period
Agricultural	$ 135,000	$ 134,000	$ 217,600	$ 121,600	$ 80,000	$ 240,000	77
Arts & Crafts	567,500	722,400	771,200	985,600	726,400	b	22
Manufacturing	4,782,500	6,417,600	7,884,800	12,323,200	12,256,000	13,472,000	280
Services	110,000	196,000	188,800	172,800	387,200	672,000	610
Wholesale and Retail	37,500	70,000	73,600	246,400	412,800	601,600	1600
TOTAL EARNINGS	$5,632,500	$7,540,000	$9,136,000	$13,849,600	$13,862,400	$14,985,600	165

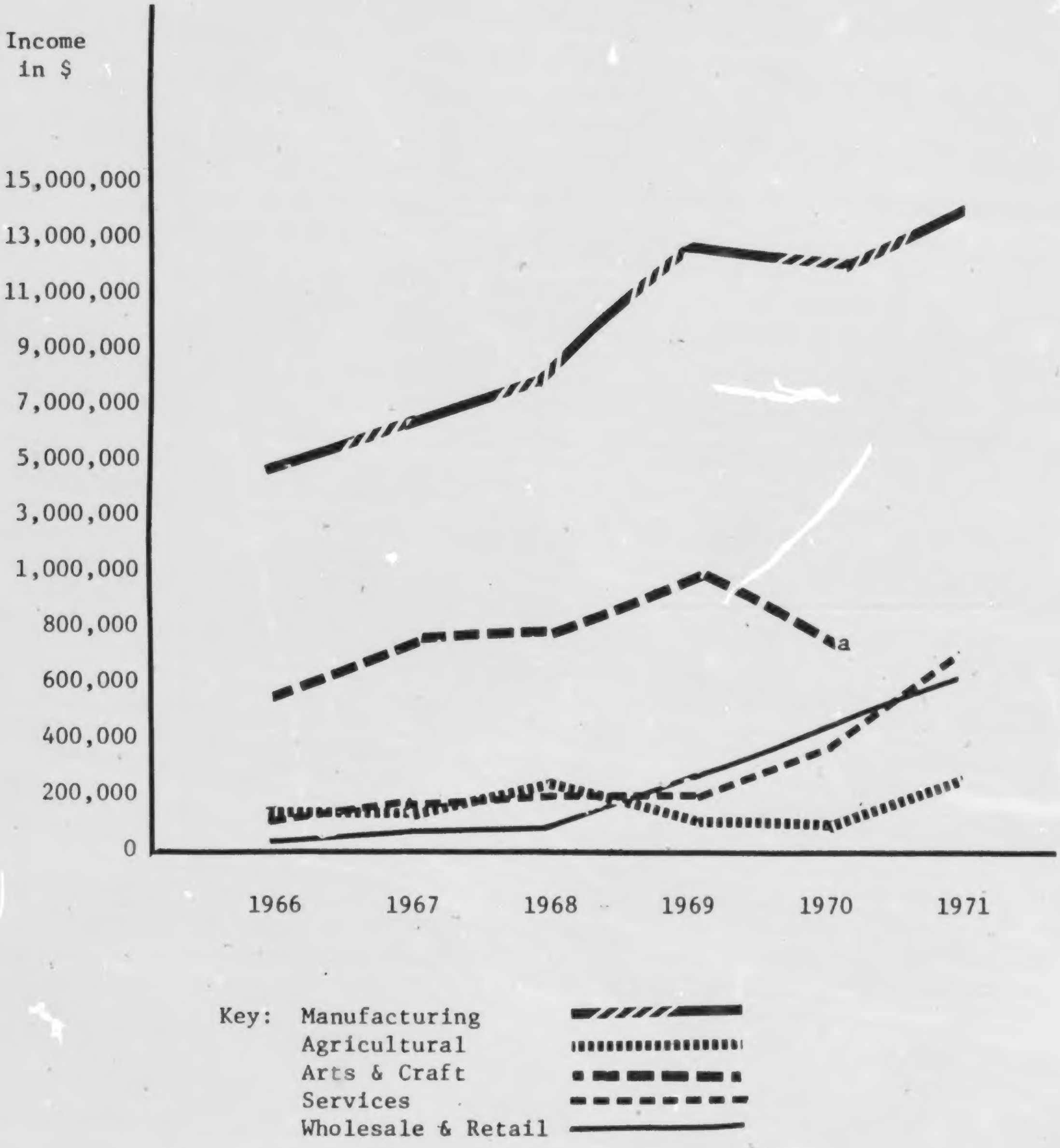
a Based on 2,000 man-hours employment per man-year of employment

b Included in Manufacturing

Source: Compiled by author data from Table 5-9, page 207.

FIGURE 7-2

INCOME EARNINGS BY INDUSTRY



[a] Included in manufacturing in 1971.

Source: Compiled by author from data in table 5.

TABLE 7-6

INDIAN EARNINGS IN ICDP ENTERPRISES BY STATE AND YEAR[a] (1966-1971)

State	1969	1970	1971
Arizona	$ 2,851,200	$ 2,790,400	$ 3,338,800
Florida	54,400	41,600	41,600
Idaho	44,800	41,600	48,000
Michigan	-0-	28,800	35,200
Minnesota	195,200	230,400	297,600
Mississippi	12,800	57,600	176,000
Montana	1,628,800	1,635,200	1,756,800
Nebraska	121,600	96,000	83,200
Nevada	44,800	80,000	153,600
New Mexico	5,494,400	5,606,400	5,753,600
New York	185,600	185,600	108,800
North Dakota	377,600	422,400	704,000
Oregon	473,600	275,200	422,400
South Dakota	793,600	1,040,000	857,600
Utah	38,400	70,400	278,400
Washington	796,800	694,400	393,600
Wisconsin	598,400	486,400	448,000
Wyoming	137,600	80,000	38,400
TOTAL	$13,849,600	$13,862,400	$14,985,600

[a] Using the National Minimum Wage effective in the year. Computed on the basis of 2,000 man-hours employment per year.

Source: Compiled by the author using data from Table 5-6.

is somewhat better than the 3:1 ratio of the previous period. Indian earnings increased 25 percent per dollar expenditure.

This ratio becomes even more favorable when a salary other than the minimum wage scale is used to compute the earnings of Indian employees. A survey conducted in October of 1971 established the average wage being paid to Indian employees as being $2.12 per hour.

This survey, conducted by Lawrence Schneider, Division of Industrial Development, Bureau of Indian Affairs, analyzed the wages paid by a sample group of 20 firms selected on a random basis. The firms surveyed included all types of enterprises employing Indians in 1971.

Using this wage figure and the number of Indians employed in 1971, it is found that 1971 earnings would rise from $14,905,600 to $19,855,920. This changes the period earnings to expense ratio to 4.47:1, with expenses for the period remaining the same. However, if a single year, 1971, is compared, the minimum wage earnings to expense ratio is 2.9:1, while the survey wages raise the earnings to expense ratio to 3.84:1. These ratios appear to be favorable.

The 1971 employment figures shown in figure 6-1 on page 113 indicate that total Indian employment was slightly less than non-Indian employment at the end of the year. Total economic impact in an area can only be measured by the total income generated by industry within that area. In this regard, the reservations are the most appropriate area of measurement to be used.

RESERVATION IMPACT

Government agencies, as discussed in chapter 6, have been the major source of employment for reservation-dwelling Indians. Similarly, governments have been the major source of income on 44 percent of the reservations where the industries studied were located. Table 7-7 on the following page shows that income from commercial and industrial activity is the major source of income on only one reservation; yet on five of the reservations the income generated by such activity is in excess of 30 percent of that generated by government sources.

Further, the table shows the increase in income being generated by ICDP endeavors. On six of the reservations, the income generated by ICDP in 1971 exceeds the total business income available to the reservations in 1969. This income generation has had a very desirable effect on many of the reservation problems of housing, welfare, education, and some effect on creating additional income opportunities.

Impact on Housing

Although the Wright-McGill Company operated for slightly more than six years, the opportunities for increased employment and income made it

TABLE 7-7

RESERVATION INCOME

By Source - 1969
(Selected Reservations)
In Dollars

Reservation	Government	Agricultural	Forestry	Mineral	Commercial & Industrial	1971 ICDP Enterprises(c) Amount	%
Colorado River, Ariz.	$ 2,169,900	$ 866,600	$ -0-	$ -0-	$ 2,692,100	$ 16,000	.005
Navajo Ariz. & N.M.	31,462,000	12,655,000	1,526,000	3,830,000	13,984,000	3,950,940	
Laguna Pueblo, N.M.	584,500	262,600	-0-	440,000	194,700	451,500	33
Choctaw, Miss.	675,000	54,000	27,000	-0-	39,500	205,700	.05
Crow, Montana	1,123,000	1,873,200	-0-	189,400	168,000	783,000	14
Ft. Belknap, Montana	365,900	425,100	4,400	15,200	50 000	82,280	14
Ft. Peck, Montana	816,000	1,967,800	100	226,600	394,600	467,500	48
Warm Springs Oregon	836,000	99,000	434,000	1,800	815,600	420,000	97
Spokane, Wash.	116,500	150,800	427,000	20,900	64,200	639,600	55

Sources: 1969 reservation data extracted from Bureau of Indian Affairs, "Summary of Reservation Development Studies and Analysis", (Washington: Bureau of Indian Affairs, 1969)(Duplicated), 1971 ICDP income data computed through use of wage data accumulated by questionnaire and employment data from Bureau of Indian Affairs, "Employment in Industrial and Commercial Enterprises Established in Indian Labor Force Areas" (with the assistance of the Bureau of Indian Affairs, Industrial and Commercial Development Program)(Washington: Bureau of Indian Affairs, December, 1971)(duplicated).

(a) Includes all government employment.   (b) Includes all forms of agricultural endeavor including ranching.

(c) Compiled through use of total employment in ICDP enterprises at the average wage indicated in "Employee Questionnaires" of author.

possible for many of the Indians employed by that firm to improve their housing conditions.[10] In some instances, the locating of an industry has led to the building of new housing in proximity to the industry,[11] while many tribes plan to locate their housing projects near potential industrial sites.[12]

In the case of Fairchild Industries, the establishment of the firm created a serious housing shortage in Shiprock.[13] This shortage led the company to establish a housing development corporation, whose main objective is to build 214 houses and 41 apartments, which will be occupied by Navajos employed by Fairchild or otherwise earning an income adequate to buy homes or rent apartments.[14]

In this instance, the reservation enjoyed an influx of an additional $5,513,000 in Federal funds to be used to construct roads, utilities, and the buildings. Thus, additional employment and income opportunities were created in order to perform the construction.

The ability to earn an income which will satisfy the requirements of the Federal Housing Administration should continue to increase the opportunities for home ownership for Indians who wish to improve their living conditions.

Welfare Impact

In 1960, Navajo tribal members received in excess of $66 million in welfare benefits from Federal, State, and tribal sources,[15] with approximately 80 percent coming from Federal sources. In 1967, the Bureau established a budget in excess of $13 million for welfare services,[16] and in 1970 expended in excess of $9 million in general welfare assistance to Indians.[17] These types of expenditures are significantly reduced when welfare recipients become employed on a full-time basis.

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[10] *U.S., Congress, House, Committee on Appropriations, Subcommittee on Department of Interior and Related Agencies, Department of Interior And Related Agencies Appropriations for 1968, Hearing, 90th Cong., 2nd Sess. (Washington: Government Printing Office, 1967), p. 841.*

[11] *Secretary of the Interior, 1962 Annual Report (Washington: Government Printing Office, 1962), p. 22.*

[12] *Ibid.*

[13] *"The Navajos Trade Hogans for Air-Conditioning," Business Week, October 23, 1971, pp. 100-104.*

[14] *Ibid.*

[15] *Robert W. Young, The Navajo Yearbook (Window Rock, Arizona: Navajo Agency, 1961), pp. 300-303.*

[16] *U.S., Congress, House, Committee on Appropriations, Subcommittee of Department of the Interior and Related Agencies, Department of the Interior and Related Agencies Appropriation for 1967, Hearing, 89th Cong., 2nd Sess. (Washington: Government Printing Office, 1966), p. 255.*

The employment of Indians at the Pine Ridge Reservation by Wright-McGill Company had a significant impact on the reservation welfare problem.[18] Twenty of the 48 employees would have needed approximately $500 each in welfare assistance had they not been employed.[19]

In 1971, 37 percent of the individuals employed in ICDP enterprises had received welfare assistance from Federal, State, or tribal sources prior to their employment.[20] Thus, it is assumed that a firm such as Burnell-Nytronics, employing 10 percent of the Laguna Pueblo labor force, has relieved the welfare rolls of 37 welfare recipients, or potential welfare recipients. Further assuming that such individuals would require a minimum of $500 in support, the savings is $18,500. However, the average Indian family receives in excess of $2,000 per year in some form of welfare assistance during unemployment.[21] Using this figure as a base, the total welfare savings would be $74,000 in the first year of employment. Since Burnell has operated for nine years, the total welfare savings would be approximately $666,000.

In another instance, the closure of a firm, Fort Peck Tribal Industries,[22] which had employed as much as 15 percent of the reservation labor force, had a serious impact on the tribal welfare funds. The closure, in the words of the tribal chairman, ". . . is terrible. The whole economy has slowed down and not only are our welfare funds being depleted, our crime rate has risen. . . ."[23]

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[17] *Bureau of Indian Affairs, "General Assistance by States" (Washington: Bureau of Indian Affairs) (Duplicated Memorandum).*

[18] *Department of the Interior, The Social and Economic Effect of Reservation Industrial Employment on Indian Employees and Their Families, Missouri River Basin Investigation Project (Billings, Montana: Bureau of Indian Affairs, 1968), pp. 16-36.*

[19] *Ibid.*

[20] *Employee Questionnaire.*

[21] *Figure estimated by Lee Cook, Acting Director, Office of Economic Development, BIA, expressed during personal interview, January 1972.*

[22] *Industrial Development Questionnaire.*

[23] *Ibid.*

During full operations, the annual payroll for this firm was in the vicinity of $500,000. The loss of this size payroll to a reservation having a labor force of 920 and a population of 2,880 [24] would have a negative effect on reservation living conditions as a whole.

Impact on Education

To keep pace with changes in the employment market caused by the rapid advancement of technology, the Bureau opened up post-high-school training in three Indian schools.[25] The Haskell Institute in Lawrence, Kansas, offers training in electronics, business and commercial subjects, building trades, and other service occupations; the Institute of American Indian Arts in Santa Fe, New Mexico, offers training in art-related occupations; and the Chilocco School in Oklahoma offers post-high-school courses in distributive and service occupations.[26] The training received in these schools can lead to income-earning opportunities on reservations.

The income opportunity has also affected the attendance of schools by younger children. For example, familes who must sacrifice in order to afford clothes for students must forego the wages--real or potential --a youngster might earn. [27] Thus, the establishment of a firm creates an opportunity for families to send children to school. The location of the Fairchild plant on the Navajo Reservation has had such an effect. Wallace Cathey, Assistant Superintendent of Schools, Shiprock area, says "Fairchild has put a spurt of enthusiasm into the entire community; we see a climb every year in the number of kids who graduate." [28]

Increased income has furthered the efforts of Apache children to go to college. From an interview with a tribal business consultant, a writer said:

> . . . Sparks told me that when he came to the reservation only eight Apache children were enrolled in college. Now there are more than 150 in colleges and universities. The recreation enterprise and the tribe's other business enterprises (cattle raising and the Fort Apache Timber and Sawmill, among others) have provided the incentive. [29]

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[24] *"Summary of Reservation Development Studies and Analysis," op. cit.*

[25] *Secretary of the Interior, Annual Report, 1963 (Washington) Government Printing Office), 1963, pp. 21-22.*

[26] *Ibid*

[27] *William A.Brophy and Sophie D. Aberle, The Indian, America's Unfinished Business (Norman, Oklahoma; University of Oklahoma Press, 1966), p. 154.*

[28] *Business Week, op. cit.*

[29] *The New York Times, August 1, 1971, front page and p. 3.*

The creation of income on the reservation has aided in the fields of housing, welfare, and education. However, the expenditure of income has not always enhanced the reservation economy.

Expenditure Patterns

Much of the "multiplier" effect[30] of income generation on the reservation is lost because of the lack of stores and service facilities.[31] Approximately 76 percent of the Indian employees spend the majority of their income in stores, or for services, off the reservations. The primary reason for this is cited as the lack of stores or services on the reservations. However, the total effect of the "multiplier" is not lost.

As we have seen, many Indians have been able to improve their housing as a result of income earned in ICDP enterprises. In some instances, these homes are built by Indians, thus creating additional income.[32] This too is most likely spent in off-reservation stores, since there are too few service facilities and stores on the reservation.[33] Efforts are being made by several tribes to increase the number of businesses on their reservations.[34]

If such business enterprises were to be made available to the point of having a multiplier of two or three times,[35] the income shown in table 7-7 for 1971 ICDP enterprises would increase to the extent that on four of the reservations the ICDP income could exceed the Government-generated income, now the largest single source of income.

If the newly formed business entities were Indian-owned, the effect would be a further increase in the total Indian income earned on the reservations.

[30] *Paul A. Samuelson, Economics, an Introductory Analysis (New York: McGraw Hill, 1961), pp. 266-267.*

[31] *Employee Questionnaire.*

[32] *Sorkin, op. cit., pp. 173-174.*

[33] *Industrial Development Questionnaire.*

[34] *"Industry Invades the Reservation," Business Week, April 4, 1970, and "A New Deal Coming for American Indians," U.S. News & World Report, September 14, 1970.*

[35] *Samuelson, op. cit.*

INDIAN OWNERSHIP AND/OR MANAGEMENT

On December 31, 1971 Bureau records indicate that 152 ICDP-induced enterprises existed on or near reservations under study.[36] Of these, 114 were manufacturing facilities, the majority of which were not Indian-owned. Actually located on or within the reservation boundaries were 109 business entities of various types. In one case, Datel Corporation in Riverton, Wyoming, is located within the reservation boundaries, as is the town of Riverton; yet it is not located on Indian lands.[37]

Many of the manufacturing operations are located in plant facilities that are tribally owned and rented to companies on a long-term lease basis. However, of the 109 enterprises located on the reservations, less than 20 percent of these are Indian-owned,[38] and none is owned by individual Indians. Rather, they are tribally owned.

Tribally Owned Enterprises

Although many of the buildings wherein manufacturing operations take place are tribally owned, the majority of tribally owned business endeavors are shown to be predominantly small commercial enterprises or the manufacturing of arts and crafts.

The largest endeavor, Navajo Forest Products Industry in New Mexico, employs 433 Indians and 31 non-Indians. The largest Indian-owned commercial enterprise, Kah-Nee-Fa Resort, a Warm Springs, Oregon, resort motel, employs 32 Indians and 16 non-Indians.

In addition to these endeavors, there have been several tribally owned and operated businesses established throughout the Nation. In Montana, tribes have one factory manufacturing prefabricated houses and another reconditioning rifles for the military service. These facilities utilize Indian personnel both as managers, line supervisors, and clerical personnel.[39]

On several reservations, there is a distinct effort being made to increase the number of both industrial and commercial endeavors, with as many being Indian-owned as possible.[40] Although the tribal officials are making this effort to increase business endeavors, there is no evidence to indicate similar efforts to promote individual Indian ownership.

[37] *On several reservations, there are sections of land that are not Indian-owned. The reasons for this are many and varied. Unless otherwise stated, all references to reservation land imply Indian ownership.*

[38] *Bureau of Indian Affairs, Division of Economic Development, "Summary of Enterprises Established with BIA Assistance, 1971" (Washington: Bureau of Indian Affairs, 1971] (Duplicated).*

[39] *Industrial Development Questionnaire.*

[40] *Ibid.; also Business Week, May 19, 1973, op. cit.*

Individual Ownership

There seems to have been almost no effort by the ICDP to promote individual ownership of business operations. This phase of ownership has been handled by the Indian Business Development Fund (IBDF), administered by the Office of Economic Development of the Bureau.[41]

The IBDF, in its short period of existence, aided in the establishment of 237 Indian-owned enterprises and expansion of 142 others.[42] Although it is not shown in the ICDP records, there are many businesses in operation on Indian lands that are Indian-owned and/or Indian-managed.[43]

Indian Management Opportunities

While it is natural for those Indians who have opened their own businesses to act in a management capacity, it has often been said Indians are reluctant to accept promotion to management positions or perform managerial tasks[44] when they are employed in industry. This may well be true in the case of many Indians; however, as has been shown in appendices B-11 and B-15, Indians are performing management functions up to and including the task of plant manager, as in the case of the Warm Springs assembly plant.

In a large plant, the Fairchild facility at Shiprock, Arizona, only 28 of the employees, often numbering 1,200 or more, are non-Indian. Paul Driscoll, plant manager, has found the Navajos anxious to take on supervisory jobs.[45] In fact, he says, "We're trying to develop the Navajo people to take over every job in this plant, including my own someday."[46]

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[41] *This endeavor was not funded after the first year.*

[42] *Statement of John Abrahamson, Division of Industrial Development, in personal interview, March 8, 1972.*

[43] *Questionnaire survey conducted by the author and Harry Dohm, Real Estate Appraisal, Branch of Real Estate Services, Bureau of Indian Affairs, April 1971.*

[44] *Sorkin, op. cit. pp. 95-96.*

[45] *Business Week, April 4, 1970, pp. 72-73.*

[46] *Ibid.*

The increased number of Indians moving is evidenced in the firms studied and those surveyed.[47] In 41 percent of the facilities, Indians are being used as line supervisors; and in 27 percent, they are being used in management positions up to the position of general foreman in the General Dynamics Corporation plant in Fort Defiance, Arizona.

The management experience gained by these Indians may enable them to succeed in taking over some of the facilities now operating on the reservations. In one instance, a family operation, American Indian Industries, was established to supply pipe, plumbing supplies, and chemicals to contractors, tribal departments, and Government agencies. This firm is owned and operated by three brothers and a sister, who expect to expand their operations in the future and still maintain 100 percent Indian management.[48]

SUMMARY

In this chapter, the major emphasis has been the discussion of the patterns of income that have evolved from the employment opportunities created by the ICDP. It has been shown that many of the Indians employed in ICDP-established enterprises are earning wages in excess of the minimum wage scale, although the actual wages paid may be somewhat below that of the scale for similar work in the area.

The impact that earned income has had on reservation problems of housing, welfare, and education has been discussed. It becomes evident that much of the income earned by Indians is not spent on their reservations. Thus, much of the multiplier effect of income is lost. It is also evident that government employment is the major source of income; however, ICDP earnings could well be increased to the point of matching government income if the number of commercial enterprises were expanded.

There are many indications that Indians are becoming more receptive to performing supervisory and management responsibilities in the facilities being established on the reservations. There is also some evidence that Indians are establishing additional business activities in order to provide greater Indian ownership and income opportunities.

There are no indications that ICDP has encouraged or discouraged individual Indian ownership of enterprises located on or near reservations. However, industries being established have been of the types which are ongoing businesses owned by outside entrepreneurs. The primary goal of the ICDP has been the inducement of entities which will provide the greatest number of employment and income opportunities in the shortest time possible.

This emphasis is quite appropriate. The major concern of the Bureau and many of the tribes has been the creation of employment opportunities. Logan Koopee, Vice Chairman of the Hopi Tribal Council, made this point quite clear when he said:

> We need to create jobs on our respective reservations. Opportunity for more employment needs to be made available for our people. The single most important thing the Bureau of Indian Affairs can do for us is to train our children for a specific worthwhile job and then make sure that the jobs are available to them.
>
> Our economic goals should be the development of our communities and resources, and to be trained in many vocational skills and learn how to manage.[49]

As shown in chapter 6, the Bureau's program has induced more non-Indian employment than Indian. However, the jobs now filled by non-Indians are there and available when qualified Indians are ready to fill them. Each Indian job created has resulted in additional income and in many cases has given the Indian an opportunity to become either a manager or an owner in the enterprise.

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[49] *Indian Record**, Department of the Interior, Washington, D.C., July 1968, p. 2.*

Chapter 8

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

Implementation of the policies and recommendations made in the 1961 report of the Secretary of the Interior's "Task Force on Indian Affairs" has provided the Bureau with a program, the Industrial and Commercial Development Program, which enables the Bureau to assist Indian tribes in attracting industries to the reservation areas. While the ICDP cannot be considered a panacea for all the problems of unemployment and low income existing on most reservations, it has proven to be one which can be used by Indian tribes to improve their economic conditions. However, tribes should establish economic goals toward which to direct their activities.

Economic Goals for Indian Tribes

The economic goals of Indian tribes should include full development of their natural resources, and a vigorous effort must be made to provide entities which will enable the human resources of the reservation to be utilized to the greatest extent possible. Every effort should be expended to assure that members of the Indian community become able to associate with their counterparts in non-Indian communities with economic equality. This means that Indian people must attain the vocational, managerial, and professional skills needed to promote the economic improvement of their reservations.

With many of the reservations being limited in land areas, and especially in arable and tillable land, opportunities for expansion of employment and income through agricultural pursuits are limited. Thus, tribal officials should make every effort to utilize their lands and facilities in pursuits that will maximize the use of all the resources available on the reservation, be they natural or human. The establishment of industries has aided many tribes in pursuing these goals since the implementation of the Industrial and Commercial Development Program.

Employment Patterns

The major source of employment to Indians is government--Federal, tribal, State, or local--with the Federal Government being the largest employer of Indians and the Bureau being the major Federal agency employing Indians. Employment in industrial and commercial endeavors is the second largest source, although only 50 percent of this type of employment can be attributed to the efforts of the ICDP. However, employment in ICDP enterprises provides a greater number of employment opportunities than any single Federal agency; and with the exception of agricultural employment, ICDP employment is the largest.

Employment of Indians in ICDP can also be increased without further investment, since the Bureau program has actually created a greater number of employment opportunities for non-Indians than Indians. Former Commissioner Bennett's objective of having 70 Indians employed in every 100 jobs created through the ICDP has never been reached. However, it is concluded that many of the positions currently filled by non-Indians could well be filled by Indians when they become fully qualified and are willing to accept such employment. Thus, the impact on future employment may be greater than presently indicated. This expansion of employment does not appear to be possible in the other fields now available to Indians.

Income Patterns:

Income opportunities for Indians residing on the reservations have vastly improved in the ten years studied. Income earned in ICDP enterprises has substantially increased. Some of the increases in total earnings are attributed to the rise in the minimum wage laws of the Nation; however, the major increase can be directly attributed to the enlarged number of income opportunities made available through implementation of the ICDP.

Individual earnings of Indians cannot be the sole criterion for measuring the income generation of the program. Income from business leases and business operations has become very substantial for some reservations. Lack of data makes it impossible to make a specific conclusion as to precise business income; however, it is known that on one reservation $82,500 in tribal income is generated by one business, and it is concluded that other firms are enjoying similar successes on other reservations.

It is also concluded that income from ICDP enterprises is only exceeded by the income generated through employment by the Bureau. In the total income generation, ICDP earnings are surpassed only by earnings from government employment. Thus, the loss of income from Federal employment would place the ICDP as the major program which might be pursued to increase income on the reservations in the future.

Industrial Growth and Development Patterns

The Bureau ICDP has been a strong factor in promoting the establishment of industrial and commercial entities on reservations. For the most part, these have been non-Indian owned manufacturing entities that have been highly labor intensive types of business. Thus, these firms have significantly improved the opportunities for employment in reservation areas.

During the decade studied, significant increases have been made in the number of industrial and commercial enterprises located on reservations. Much of this advancement can be traced to the activities of the industrial and commercial development specialists of the Bureau.

These specialists have been located both in Washington and the Area Offices of the Bureau. The direct efforts of Bureau specialists and tribal leaders have resulted in the establishment of many firms that have provided long-term employment for Indian residents of the reservations.

Types of Industries Established

As has been stated, many of the firms establishing on the reservations have been highly labor intensive. The largest plants are non-Indian-owned electronics manufacturing facilities. However, there is no apparent attempt to seek out specific types of industries. Manufacturing facilities vary from the small tribally owned electronics assembly plant to a national manufacturer of electronics equipment. There are also facilities for the construction of prefabricated homes, rifle repairs, and manufacture of wood veneer.

During the early part of the decade, the majority of the enterprises were non-Indian-owned and often had little input from tribal resources. This trend has changed. There are now a greater number of tribally owned firms, or firms that are operating in tribally owned facilities which are leased on a long-term basis by the company. These types of entities have shown a higher propensity to utilize Indian employees. In some cases, the labor force is 100 percent Indian and has averaged over 85 percent on an overall basis. This type of employment is extremely important to the economic stability of reservations.

Current and Future Problems

The Bureau's program for aiding tribes in improving employment opportunities for reservation-dwelling Indians has been plagued by many problems during the period studied. Some specific conclusions can be drawn about problems such as the size of the program, the closure rate of businesses, funding and capital requirements of firms, Indian employees, and others.

Size of the Program

Despite the fact that the Industrial and Commercial Development Program has been a very small program in terms of numbers of persons employed and the funding available for use in the endeavor, the program has been a significant factor in creating employment opportunities for several thousand Indians.

Prior to 1970, this program never reached $1 million in funding for use in its operations and had fewer than 35 full-time employees performing the tasks necessary to aid Indian people in attracting, or establishing, an industry in the reservation area. Even under these conditions, the program established or aided in the establishment of over 175 enterprises employing over 3,000 Indians. Increased funding in 1971 enabled the Bureau to expand the marketing efforts needed to attract industrial entities to reservation areas. The internal funding problems of the program, accompanied by the small force of people involved, have also been magnified by the lack of local capital in reservation areas.

Capital Requirements

Lack of investment capital has been a major deterrent in developing individually as well as tribally owned enterprises. Many tribes have been able to invest tribal funds for the construction of buildings to be used for manufacturing purposes; however, there are tribes who lack this type of capital base.

The tribes and the Bureau have utilized the Federal sources of funding, such as the Economic Development Administration, Office of Economic Opportunity, and Small Business Administration, to great advantage in the construction of industrial parks, service facilities, and the establishment of firms. They have also used the Bureau's on-the-job training monies as an inducement to encourage firms to locate in reservation areas, where there is a large but unskilled labor force. The defrayal of training expenses makes it possible for a firm to locate at a reduced cost.

For those tribes who lack a capital base to be used for an investment, there must be available some source of capital in order to become involved in economic development. The nonpassage of the "Indian Resources Development Act" has acted as a deterrent to the efforts of many tribes who need such a source of capital in order to start an industrial or commercial endeavor. In many instances, Bureau efforts even fail to get loan capital for these tribes.

Although the Bureau made a vigorous effort to promote passage of the Act, the lack of tribal support apparently led to the failure of Congress to enact the provisions of the proposed Act. Therefore, inadequate funding is still a major deterrent, and it will remain so until such time as some form of legislation which has approval of the tribes is enacted by Congress.

Indian Employees

During the early phases of operations, several firms have experienced problems in the acculturation of Indian employees. This has been considered to be a major cause for the closure of some firms. It is evident that in some instances there have been problems of high turnover and absenteeism; however, Indians appear to be becoming more and more willing to work steadily. In some plants, Indian people are working in management positions, and in other Indians make up the complete work force.

Indian employees should be encouraged to learn the value of steady employment and income. This can be done only through the establishment of industries that will provide long-term employment and by encouraging industries locating on reservations to recognize the vagaries in culture and religion existing there. Many Indians have demonstrated their willingness to work and in many cases have made great efforts to create employment opportunities, only to have the businesses cease operation.

Business Closures

The rate of ICDP business closures has been higher than the national average. Several factors have contributed to this high rate.

There seems to be no standard by which to determine the amount of Bureau input necessary to start a business before its presence can be credited to efforts of the ICDP. Since the inception of the program, ICDP has reported the establishment of over 200 business endeavors. This figure is somewhat suspect, since many businesses existed for as much as three years prior to being included in Bureau ICDP reports. In other instances, businesses employing as many as 30 persons, none of whom was Indian, were carried on Bureau reports for as long as two years before being dropped from the reports, with no notation on Bureau records as to the reason for dropping them. It is assumed they failed.

If these types of firms were not included in the reports, the closure rate would approximate the national average. Several cases of poor planning have also increased the failure rate.

In some instances, tribal officials have become involved with entrepreneurs who have had little success. Often without making a full evaluation of the market potential for the product, making a full analysis of capital requirements of the business being formulated, or assuring the availability of competent and experienced management, tribal officials have entered into agreements with these entrepreneurs before Bureau officials are aware that negotiations are under way.

This has led to the investment of tribal, Federal, and loan capital in a business which operates at a loss or fails completely. This practice has made it necessary for the Bureau to try to salvage a business that might well never have gotten beyond the study state had ICDP personnel been consulted during the earliest stages of discussion.

It must be recognized that not every business is going to succeed, and it is concluded that efforts should be made to continue to expand the number of industrial and commercial enterprises currently operating in reservation areas, even at the risk of incurring occasional closures.

Need for Expansion

The majority of the reservations cannot support the present population. This fact, plus the fact that the current birth rate among Indians is increasing the population at a rate higher than the national average, makes it imperative that sources of employment be increased.

The land base of Indian tribes is limited. The productive capacity of the land is often negligible and even when irrigated is not completely suitable for agricultural purposes. While an acre of land used in agricultural pursuits may well support only a few Indians, this same acre used for a manufacturing facility could well support 100 or more. Thus, the return per acre is far higher when used for industry. Although it is not possible to rely solely on industry and commerce for employment and income, this appears to be an important way to increase both.

Industrial Employment and Earnings

Employment and income generated by the ICDP have shown the greatest propensity for growth in the future. Government employment is and has been the largest source of employment and income. However, there is no assurance that this source of employment will always be present on the reservations to the extent that it is now present. Therefore, it is concluded that the employment source most easily expanded will be through industrial and commercial endeavors. Thus, Indian dependence upon income from agricultural pursuits, natural resources, and government can be reduced.

General Conclusions

The vigorous effort made in 1967 to institute the Indian Resources Development Act did not succeed in gaining the approval of tribal officials and Congress. Therefore, the problem of adequate funding is still a major deterrent to the ICDP. It will remain so until such time as the Bureau again proposes some form of legislation which will gain the approval of the tribes and Congress.

It is concluded that the results of ICDP efforts could be improved. Total costs to the Government could be reduced by such improvements. Tribal officials and the Indian people can significantly improve economic conditions on their reservations by pursuing a vigorous program to increase industry or commerce.

While many tribes have readily accepted the concept that such developments are an excellent method of enhancing the living conditions for members of the tribes, there are still some intratribal conflicts and distrusts that can seriously affect the success of a business entity established on a reservation.

Although not all reservations are located in proximity to large market places, there are many labor intensive production facilities that lend themselves well to being established in a reservation area where labor is plentiful. Tribal leaders have been successful in attracting these types of industries to their reservations, and the income generation has assisted many Indians to remain on the reservations.

If Indians wish to maintain their ancestral identity and heritage, and not be forced with an "either or" situation, where the only escape is to leave their homeland or live in poverty or semi-poverty with a "handout" from government, the employment and income generated through industries located on ther reservation appear to be the most feasible means of attaining this position. To attain this goal, appropriate action must be taken by tribes, the Bureau, and the Congress. Several such actions are recommended.

RECOMMENDATIONS

The Indians themselves must assume the responsibility for improving economic conditions on their reservations. The initiation of programs should rest with tribal officials, with Indians already having the management and operation skills needed being used to supervise reservation business activities.

The current Federal policy of "self-determination without termination" should alleviate fears that tribes improving their economic conditions will suffer a loss of Government support prior to becoming self-sufficient. Thus, tribes desiring to improve conditions for tribal members could develop a long-range, three-part program designed to promote overall development of the reservation. Such a program should include planning for tribal investment in industrial development, promoting the establishment of commercial and service enterprises on reservations, and the creation of a National Association of Indian Businessmen.

For those tribes that have funds on deposit in trust, the problem of acquiring capital needed for establishing an industrial endeavor is somewhat reduced. For those tribes who do not have such capital, some form of loans from the Federal Government must be provided until such time as capital can be generated through other sources.

Some tribes have invested tribal funds in the acquisition of land in the belief that this is a safe investment. While this may be true, idle land does not generate income, employment, or promote the development of the reservation's human resources. Although investment in an industrial endeavor does not assure the tribes a return on their investment, the return potential far exceeds that of land acquisition.

Through utilization of the services of the Bureau's industrial and commercial development specialists, the tribes can significantly reduce the probability of failure. During any planning for investment of capital, all negotiations between private contractors, developers, promoters, and Indians should be closely appraised by tribal officials with the assistance of Bureau specialists, to assure that the activity will be undertaken for the best interests of the community.

The investment of funds must be measured against the total economic return that can be attained from the investment. Lease income for buildings and land, interest income on the investment, and individual Indian income generation are all factors of consideration when such investments are made.

Since several tribes do not have large tribal funds, they must consider very closely the type of industrial endeavor in which to invest their meager funds. Many Indians have displayed an exceptional aptitude for employment in such industries as electronic equipment manufacturing and assembly. These facilities are basically labor intensive and lend themselves well to location in areas having a large and trainable labor force.

In addition to the establishment of firms offering employment to reservation residents, tribal officials must now involve themselves in encouraging the location of service enterprises and all types of commercial endeavors on their reservations. Although such enterprises may often be owned by outside entrepreneurs, they offer an opportunity for Indians to work in such endeavors until they have mastered some of the techniques necessary to operate such businesses. These individuals should be encouraged to open businesses of their own.

Every effort should be made to either provide capital through tribal sources or provide some type of program that would allow individuals to mortgage their property and get funds in the lendable funds markets. While this was one of the objections voiced by the Indians to the Indian Resources Development Act, it would appear that close scrutiny by the tribe and the Bureau would assure that only sound endeavors would be approved, thus reducing the risk of failure and foreclosure resulting in the loss of land.

The establishment of wholesale, retail, and service enterprises on the reservations would appreciably increase the favorable economic impact that establishment of industries has on a reservation. The income earned on the reservation could then be spent on the reservations in the Nation rather than in off-reservation areas.

To promote the Indian effort, the National Association of Tribal Chairmen, with the assistance of other tribal officials, the National Association of Manufacturers, and the National Alliance of Businessmen should establish a National Association of Indian Businessmen (NAIB). The NAIB would act as a coordinator of Indian business development and encourage close cooperation among all tribes establishing industries, to clear their plans for such developments prior to entering into any fund negotiations for setting up the business.

The NAIB could, with assistance from the Bureau, act as a clearing house for development plans. All developers and developments could be fully investigated prior to the start of any negotiations committing the tribes to an expenditure of funds or land leases. A complete investigation procedure could be established to provide tribes with a complete background on all businesses or entrepreneurs seeking to establish operations on reservations.

Such reports should include a full review of the financial history of the firm or individual, a review of management expertise, and a complete dossier of the technical background of such firm or individual.

In addition to this service, the NAIB should promote the sale of goods manufactured on one reservation to the residents of another reservation. For example, prefabricated houses manufactured at Fort Belknap would be purchased by Indians residing on the reservations of the upper Midwest, while Indian-produced products of other reservations could be used in the manufacture of these houses. Thus, Indian users would enhance the marketing efforts of the other Indian producers.

Another important area that should be attacked is the education of Indians in the field of Business. In some schools, Indians are currently pursuing higher education; however, greater efforts should be made to prepare young Indian people to take over and operate businesses located on the reservation. For those tribes who have educational funds, preference should be given to students seeking to get degrees in business subjects, such as accounting, management, production, and marketing.

Tribal leaders should plan the utilization of funds to be made available to the tribes under the provisions of the Federal Revenue Sharing Act in such a way as to increase potential employment and income opportunities. In keeping with the "self-determination" concept of the current administration, the tribes could use these funds to provide such services as roads, sewage disposal, and electricity. This might well make the reservation areas more attractive to industries seeking sites for establishment of enterprises, thus increasing the potential for job opportunities with a minimum of assistance from the Bureau.

In all these efforts, the Indian leaders will need assistance and guidance from the Bureau and legislative assistance from Congress.

The Bureau, by law, serves as trustee over trust land and resources of tribal groups who continue to maintain relations with the United States Government. Inherent in the trust role played by the Bureau is a fiduciary responsibility for specific decisions made by the various tribes concerning the use of trust resources.

A lack of funding and personnel has seriously restricted the efforts of the Industrial and Commercial Development Program. With only 34 professional employees and a budget of some $1.2 million, the Bureau has increased employment opportunities by some 900 percent. Yet most of these professional employees are based in Washington, and many of the reservation areas have few people whose primary responsibilities are directed toward attracting industry.

The Bureau should give consideration to the decentralization of its Division of Industrial Development. Currently that office has a large number of personnel located in the Central Office in Washington, D.C. It should be reorganized into a service unit, with only a few persons located in Washington. These people would act as liaison between industry and industrial and commercial development specialists, located in the Area Offices, and other Federal agencies becoming involved in the establishment of business endeavors.

Placing the specialists in the Area Offices would enhance the overall economic development program. These persons would be fully responsible for the establishment and implementation of a comprehensive, Area-wide, development plan. Such a plan might well make it possible for tribes to enter into business activities needed in the Area rather than depending upon outside entrepreneurs to locate on reservations.

By creating Area development planning, with liaison assistance in Washington, the Bureau could better service the Indians. Availability of highly qualified Bureau development specialists in Area Offices, with the Area Director having decision-making authority, would make it possible for tribes to enter into business ventures with the immediate assistance of Bureau development specialists, who should be thoroughly aware of local and State-wide business conditions.

Since the majority of Indian reservations are in the Western part of the United States, centralization of authority in Washington only lengthens the channels of communication and authority, thus encouraging tribes and field assistants to establish projects which might not be entered into if fully qualified development specialists were located nearer to the point of action.

Current procedures for the accounting of businesses developed as a result of the ICDP should be modified so that only those enterprises which actually employ Indians are reported. No firm should be included in this report unless there was an actual input by the Bureau's Central Office or one of the field offices. Entities located in nearby towns and employing Indians should be precluded from such reports. Such inaccuracies as have occurred only lead to negative attitudes about the successes that have been enjoyed and lead to some feelings of distrust about the effectiveness of the program.

Bureau planning should include a plan for maximum utilization of the $8.4 million in Emergency Employment Act funds allotted for use by Indian tribes. These monies could well be used to construct roads, water purification facilities, electrical generation plants, and other similar public service facilities, in areas that can be expected to be useful in future development of either industrial or commercial enterprises.

If these funds were used to promote the development of commercial and industrial enterprises alone, it is possible that as many as 2,800 Indians might become employed. The average cost per job established by ICDP has been less than $3,000 and in most instances has been lower. However, since these funds are to be used to promote public service work, the number of jobs created will probably be somewhat less immediately, although proper utilization of the funds should create better conditions for future development.

With the lack of capital being a major factor in development efforts, some action should be taken to increase the amount of capital available to attract industries to reservation sites. Similarly, action should be taken to make Indian reservations more attractive to firms who are seeking areas where a labor force is available at reasonable costs. These actions will require congressional action.

Many of the provisions of the Indian Resources Development Act would have benefited those tribes who are seeking to improve economic conditions on their reservations through the development of additional means of earning a livelihood by members of the tribe. The lack of social capital is a problem that can be alleviated through passage of legislation that will enable the Indian people to obtain the capital necessary to promote development of industrial and commercial endeavors on their reservations when such developments will materially alleviate problems of unemployment and low income.

Congress, with the assistance of tribal leaders and Bureau officials, should develop legislation that will incorporate those portions of the Indian Resources Development Act which were acceptable to all the parties concerned. The elimination or modification of sections found to have been unacceptable should provide a bill which could be implemented and be of benifit to the Indians and the Nation as a whole.

Futher action should be taken in Congress to encourage the manaufacturers of America to locate on reservation or in reservation areas.

Many American firms have moved their operations to foreign countries to take advantage of low wages. These companies have been protected from tariffs on returning goods through Items 806.30 and 807.00 of the Tariff Act of 1930. This has been particularly true of electronics manufacturers.

The Indian people have proven to be particularly adept at performing tasks related to the production and assembly of electronic parts and components. Similarly, Indian people have shown an adaptability for other types of work that is currently being performed overseas for American companies.

Efforts must be made by Congress to allow firms locating on Indian reservations to be exempt from the minimum wage laws for a period of up to five years. This does mot mean that Indians should be exploited, rather, Indian wages should be subsidized until such time as productivity reaches a level that will allow the firm to operate profitably.

Special concessions should be made to those firms that locate on reservations. These companies should be granted preference for the performance of Government contracts and be first considered as suppliers to Government agencies.

Concessions can be made through the granting of special rates for transportation of goods to and from reservation areas. Thus, firms using assembly processes or other functions which are labor-intensive types of activity could be placed on reservations where an abundance of laborers abide. This would make it possible for many of the more isolated reservations to compete for location of plants.

In further efforts to improve the opportunities for reservation communities to establish industries, commercial enterprises, and recreational facilities on reservations, a substantial program of transportation route improvement should be instituted. Consideration should be given to the extension of railroad services to reservation areas, construction of air facilities, and improvement of highway systems on the reservations, as well as the surrounding areas. In all these endeavors, maximum utilization should be made of Indian labor.

APPENDIX A

SUMMARY

OF

INDIAN RESOURCES DEVELOPMENT ACT OF 1967

APPENDIX A

SUMMARY OF INDIAN RESOURCES DEVELOPMENT ACT OF 1967

When Secretary of the Interior Stewart L. Udall introduced the "Indian Resources Development Act of 1967" (H.R. 10560) to Congress, he opened the hearings, saying:[1]

> . . . I think, in terms of a single piece of legislation, this is the most important Indian bill that has been submitted since I have been Secretary. I think the doors that are opened here for economic opportunity for the Indian people, the new tools they will have to work with, should mean that this is in a very real way landmark legislation.

The significance of Secretary Udall's remarks can be emphasized again through presentation of the "Statement of Purpose" of the proposed bill and a synopsis of the important provisions contained in the proposal.

The statement of purpose for H.R. 10560 read as follows:[2]

> Congress recognizes that, notwithstanding the significant social and economic advances the American Indian has made, his progress has not been sufficient to enable him to share fully in our national life.
>
> While the full range of Federal programs is being increasingly applied to Indian reservations, and while State and local governments are being encouraged to provide services to Indian citizens, economic development has been impeded by lack of free access to the private financial and credit markets of the Nation and by limitations placed upon Indians which prevent them from managing their lands and resources.
>
> It is the purpose of this Act to provide Indians with managerial, credit, and corporate tools to enable them to participate more fully in American social, economic, educational, and political life; and to permit them to exercise greater initiative and self-determination.

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[1] *United States Congress, House Committee on Interior and Insular Affairs, Indian Resources Development Act of 1967, Hearings before Subcommittee, 90th Congress, 1st Session, on H.R. 10560, July 13-14, 1967 (Government Printing Office, Washington, D.C.), p. 33.*

[2] *Ibid. p. 3.*

The most important tool in the new bill was the $500 million authorization for an Indian loan guarantee and insurance fund and for a direct loan revolving fund. Up to $100 million of this sum would be available during the first five years of the program.

The size and emphasis on this loan program indicate the priority that was placed upon improving Indian access to capital for financing the economic development of reservation areas. Although Indian financing had increased from $85.69 million to $255.1 million in the past ten years, there was still a serious shortage of financing in Indian areas, especially loans from private, conventional sources.

The new legislation would allow the Secretary, through an Indian Development Loan Authority, or otherwise, to:

1. Encourage the development of industrial, commercial and agricultural enterprises on or near Indian reservation.
2. Promote Indian ownership and management of such enterprises.
3. Provide the best economic use of Indian-owned property and financial resources.

This program also included:

1. The preparation of reservation analyses for industrial development.
2. Grants for economic surveys and project feasibility studies.
3. Guarantee of Insurance of private loans to Indians or Indian organizations if such loans were not otherwise available.
4. Direct loans to Indians or Indian organizations if private loans were not available.
5. Interest subsidies when needed to stimulate loans for industrial development.
6. Leadership and management training for directors, officers, and managers of Indian enterprises.

7. Technical assistance.

8. Research, undertaken either directly or by contract.

9. Advice regarding the issuance of tribal tax-exempt bonds or obligations for purposes related to the governmental affairs or operation of the tribe.

10. Advice on use of tribal funds.

11. Advice on proposals to provide Indians greater latitude in the management of their property and financial resources.

12. Advice regarding proposals and requests to reduce multiple-ownership of property by petition and sale.

13. Advice on charters for tribal corporations and operations.

The bill also authorized the issuance of Federal corporate charters to Indian tribes or to groups of Indians in order to give them the modern organizational forms needed to promote economic development. It placed Indian tribes on par with State and local governmental affairs through tax-exempt bonds. And it provided for the assumption of increasing management responsibilities by Indians.

These corporations would be limited to Indian membership and to activities in their own areas. Charters could be issued either to tribes or to groups of Indians who have tribal approval. Thus, groups of Indians could obtain a charter to supply local needs and services such as consolidating fractionated ownership, syndicating ownership of land parcels for a joint use venture, or to unify resource management for improved use and return.

The legislation also contained significant new authority to give tribes greater authority in the management and disposal of their property. If a tribal governing body decided that the best interests of the tribe would be served, it could apply to the Secretary of the Interior for authority to sell, mortgage, invest, or otherwise use or dispose of trust or restricted property, including trust funds.

Loans under the bill must bear "reasonable" interest rates to be determined by the Secretary of the Interior, taking into account the range of interest rates prevailing in the private market for similar loans and risks. Whenever the Secretary determines the rate of interest would require a level of interest payments by the borrower that would impair the prospects for successful economic development of other primary purposes of the loan, he may agree with the borrower to pay from the fund up to 25 percent of the interest payments. Loans under the bill require evidence that financing is not otherwise available on reasonable terms and conditions and that there is reasonable assurance of repayment.

Loans would be available for educational purposes, also, with no interest while the borrower is in school or in the military service.

The legislation provided that where credit was not available, with or without loan guarantees, money would be available from the Government under the existing revolving loan fund. Although the amount in this fund was viewed as inadequate to meet Indian needs, the new bill would make all funds authorized for the program under a variety of laws available to all Indians and Indian organizations that otherwise qualify under the general terms of the bill.

The Secretary would have discretionary authority to grant the request and could add additional terms and conditions if he believed them necessary. There were three limitations to this authority:

1. The authority did not extend to leasing tribal lands, which would continue to be controlled by existing law.

2. Land would not be sold or mortgaged unless authorized by the tribal constitution or by a tribal referendum, and only then when the sale or mortgage was made and the proceeds invested in accordance with an approved land management plan.

3. Tribal trust funds could not be invested in securities under this section, except in accordance with an approved investment program which makes provision for skilled investment counsel.

APPENDIX B

COMPANY HISTORIES

1. Parker Textile Company
2. Burnell & Company, Inc.
3. Wright-McGill Company
4. Firesteel Lumber Company, Inc.
5. Fairchild Semiconductor Division
6. Iowa Meat Products, Inc.
7. Suntex Veneer Corporation
8. Amphenol Corporation (Bunker-Ramo)
9. Omni-Lab, Incorporated
10. Fort Peck Tribal Industries
11. Chata Construction Enterprises
12. Big Horn Carpet Mills, Inc.
13. General Dynamics Corporation
14. Barron Container Corporation
15. Warm Springs Assembly Plant
16. Penn-Mor Manufacturing Corporation
17. Turtle Mountain Industries
18. Fort Belknap Builders

APPENDIX B-1

PARKER TEXTILE COMPANY

This operation opened in a tribally constructed building partially financed through an Area Redevelopment Act loan. The building was constructed for the purpose of housing the machinery necessary for the spinning of raw cotton into grey cloth. Employees of the plant were to be members of the Colorado River Tribes, and management and training were to be provided from outside sources, primarily by Richard Elliott, who had been in the weaving business for many years.[1]

A Total of $713,128 was raised to start the firm. The major sources of financing were a $351,087 ARA loan and $200,000 of stock sold to local residents. The remainder of the funds came from a loan granted by the Valley National Bank of Arizona in the amount of $108,027, and a tribal loan of $54,014. There was a minimal amount of investment made by Elliott, who was to provide the management for the enterprise.

The company actually started operations in September of 1964, employing 40 workers, one of whom was Indian. The plant operated at about 30 percent capacity for eight months and closed permanently in May of 1965.

During its short life, the business attempted to operate with used equipment. This strategy was used to ostensibly reduce the amount of investment needed for start-up costs. The employment of old equipment with its high rate of breakdown caused high operating costs to be encountered by the firm, placing it at a competitive disadvantage.

The problems were not limited to those of production. The markets for grey cloth were far removed from Parker, Arizona, and transportation of the finished product created an additional cost factor which had apparently been disregarded in planning the operation. This cost also added to the problems of being competitive in a highly competitive industry.

There is no evidence to indicate that Elliott had any experience in the marketing of grey cloth. There seemed to be no efforts made either by company or Bureau personnel to establish a firm marketing program before operations were started. There is no evidence to indicate that during operations the firm made any concerted effort to develop markets for the finished product. Most of the effort appeared to be directed toward keeping the equipment operational.

The installation of equipment discarded by other firms appears to be highly unusual. It would seem that every effort should have been made to equip the plant with the newest and most efficient machinery available at the time. This might have made it possible for the firm to enjoy a production cost advantage that would have offset the transportation disadvantage.

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[1] *All individuals' names in this case are fictitious.*

There seems to be some doubt as to the ability of Elliott to manage such an enterprise. He never succeeded in getting the firm fully operational. With only one Indian being employed when the firm was operating at 30 percent, it would appear that Elliott was operating with trained personnel and still could not succeed in establishing a profitable operation.

In addition to the failure of Elliott, the Bureau development specialists did not maintain a sound inspection system over the activities of the firm. Used equipment was allowed to be installed, Indians were not trained either as machine operators or as managers, nor were steps taken to improve the management practices used by Elliott. Some steps should have been taken to assure that Elliott had a marketing program established which would provide the company with firm contracts for the output of the first year. Without these predetermined sales, there was very little assurance that this company had any chance of success.

The combination of failures left the tribe and other local residents holding over $254,000 interest in a defunct operation. The ARA loan was defaulted, and the building located on tribal lands had no current use.

It would be necessary for the various interested parties, the tribe, the Bureau, and ARA, to try to recoup their funds by attracting some other company to the site.

Source: Data presented have been extracted from case file, "Parker Textile Company, Parker, Arizona," Central Files, Division of Economic Development, Bureau of Indian Affairs, Washington, D. C. (as of December 31, 1971).

APPENDIX B-2

BURNELL & COMPANY, INC.

Burnell & Company, Inc., with headquarters in Pelham Manor, New York, entered into negotiations with the Laguna Pueblo Indians in 1961 for the establishment of a plant to be located on the Indian lands. The plant was finally located on 10 acres of tribal lands at Mesita, New Mexico, some 39 miles west of Albuquerque. The building erected contained 40,000 square feet of floor space and was equipped with over a quarter of a million dollars worth of equipment provided by Burnell & Company.

The company and its officials negotiated for a 25-year lease with a renewal option for an additional 25 years with the Indians. The financing for the building construction was provided to Burnell by the Laguna Pueblo Indians from their tribal funds. The Indians advanced $500,000 at four percent for a 20-year period.

The company and the Bureau of Indian Affairs established an on-the-job training program for the Indians, and the plant started initial operations in November of 1962 and went into full operation in January of 1963, employing a total of 60 Indians at the start. By 1965, the Indian employment had risen to 130, and the company had an annual total payroll in excess of $500,000.

The firm's employment of Indians has consistently exceeded that of non-Indians. Average Indian employment has been as high as 94 percent in 1966 to the low of 82 percent in 1971. In addition to the high percentage of Indian employment, Burnell has employed over 100 Indians every year since 1966, with the exception of 1968, when employment of Indians dropped to 88. However, this still constituted 94 percent of the labor force of the firm and nearly 15 percent of the total labor force of the Pueblo.

Burnell's annual payroll has risen to over $600,000 in 1971, with total Indian earnings rising to approximately $521,520.[1] It is obvious that this firm's continued life has enabled the Indians of the Laguna Pueblo to enjoy continued employment. The high rate of employment has also reduced the Bureau's annual cost per Indian employed with this firm because of the decreasing expenditures of the on-the-job training funds.

The company has been granted $267,127 in OJT Funds since opening its doors. However, they have provided 928 man-years of employment to residents of the pueblo. This has resulted in a cost of $287 per job available in the firm.

[1] *This Figure is approximated, since exact figures for Indian salaries could not be obtained. The firm's average salary is $2.15 per hour.*

Source: Data presented have been extracted from case file, "Burnell & Company, Inc.," Central Files, Division of Economic Development, Bureau of Indian Affairs, Washington, D.C. (as of December 31, 1971).

APPENDIX B-3

WRIGHT-McGILL COMPANY

The Wright-Mcgill Company, a well-known manafacturer of fishing tackle, started looking in 1960 for a domestic facility to produce snelled fishhooks. The firm was not at all certain that the Indians would be able to produce at company standards; however, the company agreed to test the capabilities of the Indians at no cost to the firm.

The tribal leaders provided a tribal building, and 13 workers were established as an initial labor force. The company agreed to ship plain hooks to the reservation, the Indians were to attach leaders (snelling) to them, and the snelled hooks were returned to Denver.

The trial was highly successful. Mrs. McGill, the company head, and her staff were highly pleased with both the quality and quantity of the Indian production and decided to expand production. Mr. Emil Redfish, an Oglala Sioux Indian, was hired as manager, and in late 1961 two more plant locations were established in Wounded Knee and Kyle, South Dakota.

The buildings used for production had been a community center and a potato house, which were remodeled at moderate cost. Large capital outlays, often a deterrent to the small community desiring to expand industrially, were not factors here.

In order to provide a trained labor force, the Bureau established an on-the-job training contract with the company. The contract provided that the Bureau would pay a portion of the minimum wage of each Indian employee for an agreed-upon period of time, thus helping the company by providing a share of the training costs.

The labor force consisted of 160 Indians in 1965, with about one-fourth of them being female. Managers and assistant managers were Indian. The take-home pay ranged from $104 to $150 per week. The company paid the same basic wages in Pine Ridge as it did in its Denver plant. Workers increased their wages through production that exceeded standards and thus earned bonuses. Some turned out as many as 240 dozen snelled hooks per day.

Several problems arose during the initial operations. One was getting people to work together; another was overcoming a traditional practice of ridicule for those attempting to better their situation. Even the meaning of T-I-M-E had to be learned. But these problems were short-lived. The Indian people were enthusiastic about "their" fishhook plant and had a high degree of respect for their jobs. Such problems as existed were far overshadowed by the many benefits that the community, the tribe, and individuals gained.

The annuall payroll made it possible for many of the workers to move out of canvas tents and log shacks into modern housing then being built on the reservation. Other workers were able to make improvements on homes, such as adding indoor plumbing, heating plants, and other appliances.

A new community awareness was seen, and many of the workers became community leaders. The creation of this new economic base led to plans by tribal officials for the development of a new shopping center.

The Bureau played an important role in the development of this enterprise through the provision of OJT funds, which were used to train Indians in the art of snelling hooks. During the years of 1961, 1962, and 1963, the Bureau provided $39,378, $117,891, and $4,612, respectively.

Wright-McGill continued their association with the Indians until 1968 when the company began to encounter stiff competition from foreign producers, predominantly Japanese. The firm was being undersold in the market, with the foreign merchandise being sold at a price below that at which Wright-McGill could produce, and it curtailed its snelling operations, ceasing production on the reservations. The firm had employed as many as 225 Indians and just prior to the close of operations was employing 180.

Indians trained in this operation could transfer their skills to another line of work if an opportunity were present near the reservations.

Source: Data presented have been extracted from case file, "Wright-McGill Company," Central Files Division of Economic Development, Bureau of Indian Affairs, Washington, D.C. (as of December 31, 1971).

APPENDIX B-4

FIRESTEEL LUMBER COMPANY, INC.

Firesteel Lumber Comany, Inc., a New Mexico corporation, started operations at Domingo, New Mexico, on the Santo Domingo Reservation, for the purpose of producing core stock to be used in the manufacture of furniture and other wood products. The original intent and purpose of the firm were to process aspen from tree to finished product. The operation was to include cutting, transporting logs to mills, sawmilling, kiln drying, and manufacturing aspen lumber by starting at the tree stump.

An Economic Development Administration feasibility study of 1965 reveals that the firm's financial structure and construction capacity lacked the magnitude needed to meet market projections. This created a marginal operation, easily upset by the slightest fluctuation in either production or marketing.

An extensive marketing study had been completed, and it indicated that for the most part the aims, availability of aspen stumpage, production costs, and market availability were realistic. However, the venture was launched with used equipment, somewhat inexperienced management and personnel (the local Indians had not been trained), and amid a rising cost situation.

The lumber supposedly available from tracts represented as assets of the firm proved to be inadequate as to quality and quantity of the logs, and the supervision of sawmills located away from the manufacturing facility was loose at best. Drying facilities proved unsuited for the kiln drying required by the customers. The general experience of management and employees proved to be inadequate, and this inadequacy was revealed in the operating losses suffered by the firm.

The company suffered operating losses of $580,716.13 from the time of opening until December 1964 and indicated losses of $234,518.13 for the first seven months of 1965, a total loss of $815,234.26 in approximately five years of operation. The heavy losses were attributed to the fact the firm was in reality marketing a new product and had done much research and development in the processing of the product during the initial years of operation.

The operation of an extremely small company (the capitalization of the firm was $367,300 of issued capital stock; a mortgage for $842,300 was held by J.C. Stromberg) in the lumbering industry was very difficult. The production of any finished wood product requires an extensive organization to harvest stumpage, mill lumber, dry kiln, and manufacture according to specifications of an industry demanding great quality at competitive prices. Most phases of such operations required as many employees for 15,000 board feet of production (estimated as the break-even point) as for 30,000 to 45,000 board feet of volume. Plant facilities, therefore, should be such that production capacity allows for a sizeable profit. The firm did not have this capacity.

On August 18, 1965, the company suffered nearly a million dollar loss in a fire that destroyed the 300-foot L-shaped building housing most of the machinery used in the manufacturing process. Much of the equipment was new, having been purchased in the year prior to the fire to replace the old equipment with which the firm had started operations.

The firm's operation had been a boost to the local economy of Santo Domingo. The employment had been as high as 65 persons, with as many as 50 Indians--about 10 percent of the total labor force of the Pueblo--in direct employment with the company, and another 25 Indians were hired by the cutters supplying logs to the firm. The annual payroll for the firm was approximately $267,176. With each wage earner supporting an average of five people, it was estimated that the multiplier effect of the annual Firesteel payroll amounted to nearly $1 million in the local economy. With this loss of income, the economic conditions in the area would be significantly worsened unless operations of the firm could be resumed quickly.

Firesteel Company had found a ready and willing labor force on the reservation, yet had operated for four years at losses. These losses had been attributed to the new processes introduced and a lack of a marketing program extensive enough to ensure sales at a level necessary to break even or earn a profit.

The lack of capital necessary to sustain operations became immediately apparent when the fire destroyed buildings and machinery. The Bureau could not provide funds to rebuild, nor could the Indian tribe provide the necessary capital. This made it necessary for the firm to go to an agency of the Government that could provide capital.

The firm applied for assistance in the reopening of operations through the newly formed Economic Development Agency. The firm requested a loan of $1 million to rebuild the destroyed plant, purchase new equipment, and provide operating capital during the first year. The firm would have an investment of approximately $165,000. There were many factors to be considered before such an investment could be made by EDA, and a feasibility study indicated several weaknesses in the firm's position. In his credit report of September 1965, the Area Credit Officer stated that a loan of $1 million would amount to an investment of $16,393 per Indian employed.

In September the Bureau became involved when it was believed that assistance would be needed to help the tribe in producing its share of the equity capital required for an EDA loan (estimated to be around $40,000).

In February of 1966, the firm succeeded in getting the financing needed for the rebuilding of the plant. Two loans were obtained through EDA, amounting to a total of $1,017,000. One loan of $617,000 was provided by EDA for the purpose of rebuilding the plant. Local sources provided an additional $915,000 needed for that purpose. This grant, incidently, was the first grant ever given by the newly formed EDA. A second loan of

$400,000 to provide working capital was made by the Albuquerque National Bank; however, the EDA guaranteed up to 90 percent of the loan.

The company reorganized under the name of Aspen Wood Products, and the plant reopened in the second quarter of 1966. By the end of 1966, the firm was employing 66 Indians. In the early part of 1967, the firm applied for additional OJT monies. (The Firesteel Company had been granted $8,954 in OJT money during 1961 and 1962.) During the following three years, the Bureau provided an additional $17,798 to the company for training of Indians.

In May 1967, the Bureau learned that Mr. Stromberg was interested in getting out of business but was uncertain as to what to do: (1) curtail operations; (2) continue as at present; (3) close; or (4) sell. The firm had been sued by Pioneer Logging and Milling Company for breach of contract (failure to accept delivery of lumber supplied for which contracted) and was suffering management problems.

The company continued operations through the summer, and in November 1967 a group of New York investors entered into negotiations for takeover of the firm. They offered a guarantee of $3 million to EDA to cover the financial requirements necessary for the takeover of the first and second mortgages. The changeover was accomplished in February 1968. The firm was now known as the American Aspen Corporation.

Operations continued, with Bernard C. Luce, president of American Aspen, heading up the operations. However, Indian employment fell from a high of 86 in early 1968 to 41 in March 1969. The total labor at all times consisted of over 90 percent Indian. Profits of the firm did not appear to rise appreciably, nor did the business improve. This was evidenced by the failure of the company to meet its financial obligations with EDA. The firm was obligated to EDA and SBA for a total of $807,000 in the form to two promissory notes.

On May 7, 1969, the company was declared bankrupt and repossessed by EDA. In order to recoup some of the losses, EDA auctioned the business' assets at a restricted (bidders had to deposit $100,000 to prove financial responsibility) auction on October 22, 1969, on the premises of Santo Domingo.

The amount of money recovered from the business could not replace the employment opportunities lost, and the Bureau has continued to try to attract a viable lumbering firm into the facilities.

During the life of this firm, the Government incurred costs of nearly $1 million in loans made through the EDA, some of which was recovered through sale of the firm's assets. In addition, the Bureau granted $26,752 in OJT funds.

By estimating a 50 percent recovery by the EDA, the Government cost per job in this company was $2,033.

Source: Data presented have been extracted from case files, "Firesteel Lumber Company," and "Aspen Wood Products," Central Files, Division of Economic Development, Bureau of Indian Affairs, Washington, D. C. (as of December 31, 1971).

APPENDIX B-5

FAIRCHILD SEMICONDUCTOR DIVISION

(FAIRCHILD CAMERA AND INSTRUMENT COMPANY)

The initial contact with Fairchild was made in July 1965 by Mr. John Zachary, Industrial Development Specialist, Bureau of Indian Affairs, Los Angeles Office.

The officials of Fairchild visited many reservations and held discussions with several tribal groups before the company decided to locate a branch plant on the Navajo Reservation near Shiprock, New Mexico, for the assembly of silicon transistors. The industrial development agencies of the State of New Mexico and the City of Farmington played a major part in demonstrating to Fairchild the value of a New Mexico location, and the tribe convinced the company that Shiprock should be the site for the plant.

The Shiprock site was selected by the tribe as a part of the tribal endeavor to create an industrial complex in an area that had been solely agricultural in nature in the past. The Navajo Tribe, long aware of the great needs of its people, especially regular employment, was developing vigorous programs to assist tribal members to enter the mainstream of the American life. Fairchild's new plant on the reservation was expected to contribute substantially to that goal.

The initial phase of the Fairchild operation was started with the help of an ARA training program which was started at the Shiprock Community Center, in quarters provided by the tribe. Fifty Indians were trained between May 10, 1965, and July 12, 1965, under the ARA program, and the experience in the effort clearly indicated that Navajo Indians learn quickly and have high productivity. The Bureau assumed the responsibility for financing of training on July 12, 1965, and has continued the program on a regular basis.

The company operated in temporary quarters in the Shiprock community until the tribe completed the construction of new plant facilities. The plant constructed was a modern 33,600 square foot building which was estimated to have cost $844,000, including fixtures and facilities. It was constructed using tribal funds with a healthy assist ($463,000) from the newly formed EDA in the form of a business loan, which is being repaid by the tribe.

The plant is designed and equipped to accommodate the largest number of American Indian workers (1500-2000) ever employed on a single private payroll. The work force has increased from 50 Indians to about 800 Indians in 1971, with a high of 1,130 in 1969. The firm has consistently had a labor force made up of 97 percent Indian workers. These Navajo workers have established production and job attendance records that compare favorably with Fairchild operations in other locations in the United States and Foreign countries. The employee turnover has decreased from 8.8 percent in 1966 to 3.4 percent in 1971; absenteeism has decreased from 5.5 percent in 1966 to 4.2 percent in 1971.

The employment record at Fairchild is an obvious refutation of the old cliches about the inability of Indians to work at steady jobs. Another myth has been exploded: With 30 of the 35 production supervisors being Indian, one can no longer say that Indians are reluctant to accept supervisory positions in Indian-staffed plants because of cultural hangups over directing and giving orders to other Indians.

The creation of added employment opportunities has caused an influx of workers into the Shiprock area. This influx has created a housing shortage which must be alleviated. The construction of new housing will create further employment.

Electronics assembly usually has more female-oriented employment than male; and in an area of general unemployment, having women as breadwinners of the family has created some social problems. To combat this problem, Fairchild has brought in new production techniques more suited to male aptitudes, and hopes to employ 400 men as a part of the regular work force.

The introduction of manufacturing employment normally stimulates service type enterprises in the area, and the Navajo Tribal leaders expect that in response to the regular payroll as many as 350-400 service type jobs will be created in the near future, with at least 50 percent of these jobs to be filled by males.

If success of the Bureau's program can be described as finding jobs for those who have had no job and the job can keep them on their own lands, or in their own communities, among their own people, and with the way of life they know best, then the Fairchild plant can be considered a success.

This success has not been achieved without costs to the Government. Direct costs in the amount of $2,932,208 have been incurred by the Bureau through the financing of on-the-job training since the firm started operations on the reservation.

This may seem to be an exorbitant figure at first glance. However, it must be remembered that over 1,000 Indians were trained and employed. In addition to those who were retained as full-time employees, there were probably another 50 to 80 who entered into training, dropping out after being partially trained and then leaving for one reason or another. There is no means of determining where such workers go, since no records appear to be maintained by the Bureau.

The combination of tribal investment of $844,000 and the Bureau's $2,932,208 expenditure in OJT funds results in a cost per job of $854. However, the tribe is recovering its investment through leasing arrangements. Since the lease arrangement is confidential, it is impossible to determine the exact payback term on the investment.

Source: Data presented have been extracted from case files, "Fairchild Semiconductor Division (Fairchild Camera and Instrument Company)," Central Files, Division of Economic Development, Bureau of Indian Affairs, Washington, D. C. (as of December 31, 1971).

APPENDIX B-6

IOWA MEAT PRODUCTS, INC.

(WINNEBAGO PET FOODS, INC.)

Winnebago Pet Foods, Inc., opened a plant in February 1968 at Winnebago, Nebraska. The plant uses meat that is unfit for human consumption for further processing into pet foods. The company employed 10 Indians during the early period of operation, training these people with the aid of a local Community Assistance Program (CAP) which was negotiated through the U.S. Department of Labor's Kansas City Office. The firm paid trainees the minimum wage of $1.60 and used the training funds to supplement trainee wages.

The building and equipment were furnished by the company, and the village of Winnebago brought sewer and water to the building site.

In the fall of 1969, the firm reorganized, becoming a subsidiary of the parent firm and is now known as Iowa Meat Products, Inc. The firm has employed from seven to 14 Indians since first starting operations.

During the initial phases of operation, the firm experienced a problem of high absenteeism and employee turnover with the Indian employees. This problem has apparently been overcome, although the company now is employing seven Indians, with total employment being nine people.

The investment of $1,400 of Manpower Development funds of the Department of Labor constitutes the total expenditure incurred by the Government. Thus, the cost per job has been $257.

Source: Data presented have been extracted from case file, "Iowa Meat Products, Inc., "Central Files, Division of Economic Development, Bureau of Indian Affairs, Washington, D.C. (as of December 31, 1971).

APPENDIX B-7

SUNTEX VENEER CORPORATION

The Suntex Veneer Corporation was first referred to as the Spokane Reservation Sawmill in November of 1965 when Phillip Dahl started to construct a green veneer plant on the Spokane Reservation. The original plan called for the plant to be operational when log-cutting commenced in the spring of 1966. However, as of September 30, 1966, the mill was still not operational. Machinery was being set into place, and the hopes were that operations would start in the next 60 days.

Mr. Dahl, president of the corporation, had contracted with the Spokane Tribe for the purchase of timber from reservation sources. As a part of the negotiations, he had agreed to the construction of the plant on the reservation and to the employment of local Indian laborers to the greatest extent possible. The $1 million plant constructed was the most modern in the Northwest and had the potential for processing up to 24 million board feet of green veneer per year. Green veneer from the plant was sold on the open market to plywood makers throughout the area.

The company contracted for 200 million feet of timber from the Colville and Spokane Indian Reservations, with a proviso that only the bark would become waste material, which would be burned in an incinerator. The unusable scrap from the veneer mill would be used by a paper mill; the pine cores would be sold to a local Indian group, who would set up a plant near the Suntex mill.

Bureau development specialists from the Portland Area Office were actively involved in the establishment of the enterprise. Special attention was given to the contractual arrangements for timber cutting. The problems of overcutting and reforestation programming were of major concern to Bureau specialists. These factors were a major consideration in negotiations.

The company started actual milling operations in March 1967, employing 33 Indians out of a total labor force of 37. The plant projected the additional employment of 15 people in the near future. The firm exceeded expectations and on December 31, 1967, was employing 75 people, of whom 60 were Indian.

The firm continued to grow and in 1969 had 388 employees, 134 of whom were Indian. In December 1971 it had 289 persons on the payroll, including 91 Indians.

Throughout its operation, the company has averaged 33 percent Indian employees. The firm also requested subcontractors such as Jefferson Plywood Company to employ Indians in its operation. In 1971 Jefferson had 34 Indians on its payroll.

Suntex is currently employing Indians in management positions. The average wage for Indian people is approximately $2.60 per hour, with the weekly payroll exceeding $9,500 per week during operation.

Source: Compiled from data contained in case file, "Suntex Veneer Corporation, Spokane, Washington," Central Files, Industrial **Development** Division, Bureau of Indian Affairs, Washington, D. C. (as of December 31, 1971); and from questionnaires completed by tribal officials and employees of the firm.

APPENDIX B-8

AMPHENOL CORPORATION (BUNKER-RAMO)

In the first venture into economic development of their lands, the Seminole Indians of Florida entered into a contract with the Amphenol Corporation of Chicago for the lease of 10 acres of tribal land upon which Amphenol, an electronics manufacturer, built a 34,200 square-foot air-conditioned plant. The plant, located near Hollywood, Florida, became the first 100 percent privately financed, non-Indian operation ever to be established on an Indian reservation. Initially, planning called for the employment of approximately 100 Seminoles when the plant became fully operational.

As was the case with many other firms locating on reservations, the Bureau established funding for the training of the initial labor force of 36 Indians (12 for each of three shifts). Funds in the amount of $8,400 were made available for the first year of training.

Deputy Commissioner Theodore W. Taylor, who represented the Bureau at the dedication ceremony, gave some indication of the importance of the plant establishment on Indian lands when he said:

> The Amphenol experience is becoming increasingly typical as the Indian develops the courage and know-how to successfully penetrate the business world. The Seminoles have proved once more that they are in the forefront of this movement. Today the tribe and the Amphenol Company are already looking ahead. The ten-acre site will permit plenty of expansion when the present plant reaches full operating capacity.
>
> We have great hopes for industrial development of Indian areas. There are now nearly 100 American companies operating plants of various sizes on Indian reservations or in nearby communities and providing employment for some 1,000 Indians in their home areas. This is extremely important for those Indians who, through inexperience or fear of the unknown, do not choose to move to unfamiliar surroundings to find work. While the Bureau is providing employment assistance for reservation dwellers who move away for better training and better jobs, many prefer employment on or near their reservations.
>
> The Bureau of Indian Affairs is grateful for the confidence Amphenol has shown in the Indian people by deciding to establish this plant on the Hollywood reservation. I believe the Seminoles have shown

> extremely good judgment in choosing to do business with this sound and far-sighted company.[1]

The Deputy Commissioner's expression of faith in the company was apparently well-warranted, since the firm immediately started planning for the establishment of other plants to be located in Indian areas. However, the addition of other plant facilities failed to materialize as expected. Early in 1968, the company merged with Bunker-Ramo Corporation, becoming known as the Amphenol Connector Division. Bunker-Ramo has no desire to expand operations in the State of Florida, although operations would be continued.

Upon opening in June of 1966, the plant employed 29 Indians. By December 9, 1971, this figure had dropped to 13, less than one-half percent of the total force of 259.

The firm has in the past recruited and is continuing to recruit Indians for employment. All Indians seeking employment are given priority over other job seekers. However, the company has found it difficult to recruit and retain the Seminole people. The Indians appear to be reluctant to work in an indoor occupation, preferring to remain unemployed or accept lower wages for outside employment.

This firm has continued to operate at no further costs to the Bureau. In addition to the payroll generated, the tribe is receiving monies for the leasing of the land upon which the building was constructed.

Source: Data presented have been extracted from case file, "Amphenol Corporation (Bunker-Ramo), Hollywood, Florida," Division of Economic Development, Bureau of Indian Affairs, Washington, D.C. (as of December 31, 1971).

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[1] *Included in Company History File of BIA Central Office, Washington, D.C.*

APPENDIX B-9

OMNI-LAB, INCORPORATED

Omni-Lab, Incorporated, a manufacturer of electronic educational devices, negotiated for the lease of an unused school facility located at New Port Indian Community on the LacCourte Oreilles Reservation, Wisconsin. The firm remodeled the building to make it suitable for manufacturing operations. The contract of the lease of the buildings had been made through field representatives of the Bureau's Branch of Industrial and Commercial Development.

The firm immediately applied for support from the Bureau in the attaining of an OJT contract in the amount of $13,000, to be used in training an initial labor force of 20 persons. The training was to make employees proficient in the assembly, wiring, and soldering of electrical-mechanical switching equipment, cabinet-making--the making of cabinets out of plywood and formica--and sheet metal fabrication. The training was planned to begin in July of 1966.

By June 29 the Bureau had cleared the application, and Omni-Lab became No. 4 on the priority list for funding out of fiscal year 1967 funds. However, Omni-Lab, Inc., later (August 1966) indicated a preference for the Wisconsin MDTA program and elected to enter into that program. The provisions of this program included funding for both Indian and non-Indian employees. The Bureau offered no objections to this change. Omni-Lab was deleted from the OJT program, and the funds were decommitted. The firm opened its operations employing seven Indians in its initial labor force. This number grew to 12 by December 31, 1966.

The firm's operations continued until early 1969 when the lack of demand for the products caused the firm to suspend its operations.

During its period of operation the firm had employed as many as 25 Indians during peak operations and always had from 50 to 83 percent Indian employees.

The skills learned by the Indian employees provide them with an ability which could be transferred to many types of electronics operations.

Source: Data presented have been extracted from case file "Omni-Lab, Inc., New Post, Wisconsin," Central Files, Division of Economic Development, Bureau of Indian Affairs, Washington, D. C. (as of December 31, 1971).

APPENDIX B-10

FORT PECK TRIBAL INDUSTRIES, INC.

Early in 1968, two men from the Aerospace Operations Division of Dynalectron Corporation, a Washington, D. C., based aircraft maintenance company, approached Mr. Charles Gulledge, president of Dynalectron, with a proposal for assisting the American Indians in developing a business firm. These men felt that Dynalectron should heed former President Johnson's advice for business and industry to assume social responsibility and assist the underprivileged in improving their status in life.

When Mr. Gulledge was first approached, he was somewhat skeptical about the role the firm could play in assisting Indians living in remote areas to develop any type of business. He expressed his doubts but agreed to search out ways of meeting the problem. He later said:

> If we were going to assume a responsibility for assisting in setting up a viable financial enterprise, we also realized that we were accepting a larger social responsibility toward the Indian tribes there. I wanted no mistakes, so I put some pretty high-priced legal and managerial talent to work on the project.[1]

The members of this team met with Bureau industrial development specialists to determine the best avenue of approach to be used in the development of a business enterprise for Indians, on Indian lands. The most appropriate method seemed to be through the provisions of the Small Business Administration (SBA) minority enterprise program. However, the tribe involved would have to meet the requirements set forth by the SBA. These were:

1. The enterprise had to have 50-percent Indian ownership or an agreement that would assure majority Indian ownership in the future.
2. Competent management must be available. If there were not qualified Indians, an agreement must be made with "outside management" to run the business.
3. Arrangements had to be made for training Indians who would be expected to assume control of the business at the earliest possible date.[2]

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[1] *Patrick J. McGarvey, "Industry-Indian-Government Joint Effort Cut Welfare Costs and Revive Local Economy," Government Executive (September 1969), pp. 54-56*

[2] *Small Business Administration, Developing Indian Owned Businesses (Washington: Government Printing Office, 1970), pp. 3-5.*

The combined efforts of the Bureau specialists and Dynalectron led to discussions with tribal officials of the Assiniboine and Sioux Tribes of the Fort Peck Reservation in northeastern Montana. These discussions terminated in an agreement which would have the tribes form an Indian-owned corporation, which would be eligible to obtain subcontracts from the Small Business Administration.

In November of 1968, the tribes established a State-chartered corporation, Fort Peck Tribal Industries (FPTI), with headquarters in Poplar, Montana. This was the first tribal-industry effort made toward the economic development of the reservation under provisions of section 8A of the SBA legislation.

Shortly after the incorporation of FPTI, the SBA awarded the company its first contract, a $706,804 one-year contract for the reconditioning of 44,400 Air Force M1/M2 carbines, the business for which the company had been formed.

The firm was to be managed by Dynalectron personnel,with the tribe paying $168,720 for the services of five managers. These managers were to oversee the day-to-day operations and make the majority of the management and planning decisions, while six Indian men were being given a 10-week management course at Dynalectron's Fort Worth plant. These Indians would return and assume much of the management responsibility.

Funds for the establishment of the company came from a number of sources. The tribal council invested $35,000, and the SBA guaranteed 90 percent of a $200,000 loan made by the Trader State Bank in Poplar, Montana, at 7.5 percent interest. Two other Federal agencies funded the training of the Indians employed by the company. The Bureau granted an OJT contract for $40,832, and the Office of Economic Opportunity (OEO) granted $107,789 for specialized training required and $40,000 for equipment.

The firm employed 118 Indians, all of whom were trained, receiving $1.60 per hour during their training period. Reports submitted to the Bureau by Dynalectron management personnel indicated that the Indians were basically loyal and conscientious employees. However, the company had a high employee turnover rate during the first year: Twelve percent, as compared to the national average of 2.5 percent--and a high rate of absenteeism, 15 percent.

Carl Samples, a member of the Dynalectron management team, felt that these problems were caused by a combination of the use of non-Indian personnel management policies, and the Indians' desire to remain in the cultural atmosphere of the Indian. The two were not compatible, and changes had to be made by both parties.

Even with these problems, the company met the deadline on its first contract and in February 1969 was awarded another $750,000 contract for the repair of 37,000 rifles for the U.S. Army.

During normal operations, the plant, turning out 300 refurbished rifles per day, has a $40,000 monthly payroll and contributes about $700,000 a year to the local economy.

Dynalectron expressed a desire to get out of the plant-management phase of the operations early in 1970 and had started training Indians as assistant managers in March 1969. Five of the young men who had been sent to the Aerospace Operations Division of Dynalectron in Fort Worth, Texas, for training were utilized as assistant departmental managers in an on-the-job training program. The Indian trainees were expected to become departmental managers when they were determined to be capable of effectively directing the activities of their respective departments in such a manner that the tribal industry would continue to be profitable.

During 1971, Dynalectron and tribal officials encountered continuing difficulties. During 1969 and 1970, the firm had accumulated slightly over $100,000 in reserves. These were now depleted, and there was a feeling among members of the tribal council and corporate officials that the tribe should assume control of the firm.

The Board of Directors of FPTI felt that Dynalectron had not diversified as originally stipulated in the organization plan. This was believed to have been a major reason for the depletion of the reserves. The feeling was that the Indians could assume control, using the Dynalectron-trained Indians as managers, with Carl Samples being hired as General Manager.[3]

The take-over by the Indians was accomplished on an amiable basis, with no animosity shown by either the tribe or Dynalectron. The tribe did not claim to have suffered any losses, and there had been good employment at the plant.

This employment had not been without cost to the Government. During three years of operation, the firm had received $71,100 in OJT monies from the Bureau and trained 265 Indians, three times the number of Indians employed during normal operations. In addition, OEO granted the company $107,789 for the training of the initial 70 employees.

On December 31, 1971, 80 of the 81 full-time employees were Indian. The weekly payroll exceeded $6,080 at this employee level and often exceeded $7,000, depending on contract demands.

Source: Compiled from data contained in case file, "Fort Peck Tribal Industries," Central Files, Division of Economic Development, Bureau of Indian Affairs, Washington, D.C. (as of December 31, 1971), other footnoted sources and Industrial Development Questionnaire used by the author.

[3] *Billings, Montana, Gazette*, January 12, 1972, p. 1.

APPENDIX B-11

CHATA CONSTRUCTION ENTERPRISE

Chata Construction Enterprise started business in November of 1970 with assistance from the Bureau's newly established Indian Business Development Fund (IBDF). The company was formed by a group of Indians who, with assistance from the Choctaw Agency in Mississippi, were awarded a $50,000 contract by the Bureau to repair 15 homes on the reservation.

The repairs to be performed were to include the addition of rooms, bathrooms and facilities, the installation of foundations, installation of walls and painting, and electrical wiring. This activity employed four Indian and four non-Indian men. The availability of HUD contracts led to the need for a building and other construction facilities necessary to perform homebuilding activities on the reservation and in the nearby areas.

The group negotiated with the Bank of Philadelphia, Mississippi, for loans to construct a building in the newly developed Chata Industrial Park. The park had been developed by the Choctaw Tribe with the assistance of an EDA grant of $320,000, of which $256,000 was cash and $64,000 was in the form of noncash benefits.

The Bank of Philadelphia had originally loaned the Enterprise $30,000 of working capital to pursue the initial contract and now provided an additional loan of $336,482 at six percent interest. This loan, coupled with a $50,000 "seed money" development fund grant from IBDF, made it possible for the Enterprise to construct a $384,000 building, which is currently being used for the manufacturing and assembly work of the firm.

In January of 1971, the Enterprise negotiated for a HUD contract to construct 200 Turn Key III homes on the reservation. These homes consisted of 90 three-bedroom homes and 110 four-bedroom at a contract price of $2,665,000. The company also negotiated with the U.S. Public Health Service, Indian Division, to construct a health clinic in the Red Water Community for a contract price of $100,000, with construction to start immediately after the repair contract was completed.

As a minority group, the Enterprise has contracted or negotiated to construct all HUD and Farmers Home Administration financed homes within a 50-mile radius of Philadelphia, Mississippi. The firm used Kingsberry Home pre-cut materials as much as possible on the 200 reservation housing units and subcontracted some of the work.

The Enterprise's long-range plans called for the prefabrication of some of its own homes. The company has now gotten well underway, currently employing a total of 32 people, 17 of whom are Indians. This firm is expected to continue to grow as additional construction contracts become available.

The Bureau's investment of $50,000 has been a great stimulator to the Choctaw Tribe. During the first year of operation, the tribe has received a total of $75,814 in income and estimates an income of $130,000 during the second year of operations.

The Indian payroll has grown to $1,360 per week, with expectations of going higher. With the income earned by the tribe during the first two years of operation running from 19 to 33 percent, this appears to be an excellent tribal investment.

In addition, a grocery store has opened up as a result of the company's operation, thus opening up other employment opportunities.

Source: Extracted from case file, "Chata Construction Co., Philadelphia, Miss.," Central Files, Division of Economic Development, and Indian Business Development Fund records, Bureau of Indian Affairs, Washington, D.C. (as of December 31, 1971); also, Industrial Development Questionnaire used by the author.

APPENDIX B-12

BIG HORN CARPET MILLS, INC.[1]

This company was first introduced to an industrial development specialist in the Bureau of Indian Affairs' Billings Office by Mr. Mark Rankin of the Phillips Petroleum Company on September 14, 1966. The specialist met with Mr. Mickey House, President of Big Horn Carpet Mills, Inc., a California incorporated firm, on September 16, 1966, in the Billings, Montana, Area Office.

The initial meeting and subsequent telephone conversations led to a general agreement on the terms that would put the rug-making facility in the new Crow Industrial Park, which the Crow Tribe had established near Hardin, Montana, with the aid of a $241,000 EDA loan granted in June 1966. The basic agreements reached included the long-term lease of building facilities by Big Horn Mills and the training and employment of Indians in the rug operation.

The Crow Industrial Development Commission, made up of tribal members, agreed to support an application to the Economic Development Administration for the funds necessary to establish the project. They requested EDA to loan the tribe $715,000 and the Big Horn County State Bank to loan $220,000, with the tribe using $165,000 of their own funds and the company to provide $200,000 of operating capital.

The EDA application, which was submitted in January 1967, indicated the funds would be used as follows:

Buildings	$ 485,000
Machinery and Equipment	531,775
Contingency Fund	83,225
Total Loan	1,100,000
Company Operating Capital	200,000
Total Capitalization	$1,300,000

The Bureau aided in the development of lease arrangements between Big Horn Mills and the Crow Tribe. The lease was drawn as a 25-year renewable lease, requiring payments which would amortize the loan for the building over the loan period. In addition to the lease payments, the tribe was to receive a percentage of gross sales varying from 1/2 percent on annual sales of $200,000 to 1-1/2 percent of $500,000 and over. The company also had an option of early retirement of the loan, whereupon the tribe would continue the lease on the basis of $12,000 per year rental.

The lease was signed in August of 1967, and construction on the building was started on August 20, 1967, with ground-breaking ceremonies, although bids for the actual structure had not been offered. The contract for construction was let to Kober Construction Company of Billings, Montana, on October 6, 1967, with an estimated cost for construction being $499,226--some $14,226 in excess of the amount originally allocated for building costs. Construction of the building was scheduled for 150 calendar days, and the plant was completed in late February 1968.

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[1] *All personal names in this case are fictitious.*

The firm encountered difficulties prior to even becoming operational when the Bureau learned that the Small Business Administration had disclosed to the EDA office in Denver some adverse information of the financial responsibility of Mr. House.

The information revealed that House had been a major partner in Lancer Carpet Company, which had gone bankrupt. House admitted he had been having trouble settling accounts for Lancer since his brother-in-law (the other partner in the firm) could not contribute to the accounts. House maintained that he had reduced the Lancer obligations to approximately $42,000 and had offered to settle the account for $10,000, which he could get by refinancing his home.

The Bureau industrial development specialist in the Billings Office held a meeting with House and an SBA official in Billings, where it was learned that Mr. House's situation had been known by his present stockholders and they had given him a vote of confidence by continuing their interest in the Big Horn Carpet Company. The meeting ended with House being requested to provide:

1. A statement as to the history of the Lancer Carpet Company and the events which led up to its failure, and how he intended to solve the problem.

2. A detailed list of accounts which he intended to keep for Big Horn so the Bureau could be assured there would be an adequate bookkeeping system in the firm.

3. A statement of fact that no funds from Lancer Carpet Company had been directed for any use other than paying off obligation of that company.

4. A copy of the minutes of the Board of Directors of the Big Horn Carpet Company in which his situation was revealed to them.

During the course of the investigation, it was also revealed that the financing requirements of EDA might have been violated by the officers of Big Horn Carpet Company. House had placed his 7-1/2 percent of Big Horn stock in the name of his father-in-law, Carl Cinch, and the majority of the financing required by EDA had been put up by Jack Cinch, a trustee of Big Horn and also a cousin to House's brother-in-law, Bob Cinch. The investigation letter stated in part:

> . . . You will recall that the authorization required by paragraph 8(b) "that prior to operations the operating company has sufficient funds available to it as may be necessary, in the opinion of the Area Director, to assure adequate working capital for the project, but less than $200,000; provided that $150,000 of such funds be supplied by principals of the operating company as equity capital and that $50,000 of said funds shall be provided as a continuing line of credit on terms satisfactory to the Area Director."
>
> Big Horn Carpet Mills, Inc., had submitted as evidence of meeting this requirement a statement of Fidelity Federal Savings and Loan Association, 225 East Broadway, Glendale, California, that its records showed a savings account in the name of Mr. Jack Cinch, trustee for Big Horn Carpet Mills, Inc., in the amount of $65,245.10; a statement of Peoples Federal Savings & Loan, 150 South Market, Inglewood, California, showing an account in the name of Jack Cinch, trustee of the same company, in the amount of $76,178.34, and a letter from Mr. Jack Cinch stating that an additional $5,000 had been deposited which would make a total of $146,423.44; and a letter from Manufacturers Bank, 135 East Ninth Street, Los Angeles, California, dated July 13, 1967, stating "This letter will confirm our willingness to extend to you a $50,000.00 line of credit for one year from this date. This commitment is contingent upon the personal guaranties of the investors and their wives, as listed in your letter of June 14, 1967."

The revelation of this information was a damaging blow to the newly organized firm. However, it was determined that no further action should be taken until such time as House had submitted the requested documentation. It was felt that even though House had promised he would step aside at any time, such an action might make the situation even worse than it was. The tribe was already committed to the $1,100,000 expenditure by virtue of the contracts that had been let for the building and the machinery, and needed to move forward with the facility.

The start-up operations were continued, and several Indians were being trained in various operations. The firm was granted an OJT contract of which they used $4,000 to train eight Indian people. These people were to form an operational nucleus for the company and assist in the installation of equipment.

The period from February, when the building was completed, until June was filled with controversy and problems. Machinery was not installed on time or properly; sidewalks were not in; there was a lack of appropriate parking space; and the plant area was generally unsightly. There was also some indication that some tribal officials were trying to exert influence on the hiring and firing policies of the company.

Further unfavorable information on the previous business activities of House led to his resignation as president of Big Horn Mills on May 31, 1968. He was replaced as president by Aaron Gottfrei, although he continued to serve on the Board of Trustees until July 15, 1968. The resignation of House did not alleviate the start-up problems, and Gottfrei was almost immediately faced with problems not directly related to the operations.

The Big Horn Carpet officials had extended expenditures some $13,000 beyond the approved EDA loan. The firm had, under the terms of the lease, been responsible for the construction and equipping of the building within the limitations of the EDA loan. The tribe was in no way responsible other than to handle the money and see that the bills were paid as were authorized by the company. There was great controversy among the architect, the engineers, and the company as to who was responsible for some of the changes that had to be made.

Mr. Gottfrei settled some of these problems by agreeing to notify the tribe when the last piece of equipment was finally placed by the Sanger Machine Corporation. The company would then assume the responsibility for paying the rental on the plant. It was also determined that some of the overage in cost might be reduced if the company, the architect, and Sanger Machine could determine the exact overages and a method for resolving some of the problems which had created the cost overages. The Bureau suggested that rather than asking for a supplemental loan from EDA, the tribe might advance the amount needed and add it to their note to the Big Horn Carpet Mills, Inc.

The mill was operational for the Crow Tribe Centennial celebration, and management held an open house on June 21, 1968, to show the local population and interested visitors the making of a complete carpet. Although not all equipment was operational, there was enough to show the public the steps in the manufacturing process of the carpet industry.

According to Mr. Elmer Treadway of Sanger Machine Company, who had suggested that Big Horn send a man to Sanger for proper training, the start-up operations had been slower than normal because of the use of inexperienced personnel. Nearly six months had elapsed since the machinery had first started arriving at the plant. Although operations were under way, there were still some problems being encountered in the functioning of machinery. These problems were being solved, and Sanger Machine was sharing costs with Big Horn in making the necessary corrections.

The June 21 open house could be looked upon as the official opening of the plant, and within a few weeks the plant was operating on the basis of two 12-hour shifts, utilizing 62 Indians, 60 of whom were members of the Crow Tribe, and 10 non-Indians. Mr. Gottfrei felt the firm should now be able to move forward and become a profitable operation within a short period.

The firm did not live up to Mr. Gottfrei's expectations, and in September 1968 rumors of bankruptcy, internal strife, and poor employment conditions reached the Bureau. An immediate inquiry was made as to the status of the firm. Mr. Gottfrei denied the rumors but did disclose several problems that seemed to be hampering the orderly operations of the firms. He enumerated the problems as: (1) A retrenchment of operations because of an upper management mess that was worse than he had anticipated, and he was now in the process of cleaning up the mess; (2) the scarcity of willing Indian employees, saying, "We are now employing 50 people and anticipate employing 75 to 85 employees on a two-shift basis depending on how well we can motivate these people. We had to sift through some 200 people to get the 50 we now have," and (3) the entering into the market of a rapidly expanding carpet industry.

Mr. Gottfrei indicated the problems were not insurmountable, and he had high hopes that the firm would be able to overcome all their problems, predicting that the firm would eventually hire 125-140 Indians, who would be trained with the aid of Bureau funds under the OJT program. He pointed out that many of the Indians had encountered problems in adjusting to working in a windowless plant, performing repetitious tasks. The wage scale started to $1.60 per hour; however, very few of the employees remained at that scale after their training period. The average salary was $2.00 per hour. Mr. Gottfrei's approach to employee relations was depicted in his comment, ". . . . Pride in the plant and interest in the industry is as important as a good pay scale. We do not have the point of view that you have to squeeze people. We believe in fair and decent treatment. We do not intend to motivate people only through dollars."

The prediction of Mr. Gottfrei again proved to be a somewhat optimistic point of view. The company failed to meet its payment obligation of $65,000 in November 1968. The tribe paid the interest to EDA; however, they could not make the full payment to them. The Bureau encouraged the tribe to follow the advice of EDA and foreclose on Mr. Gottfrei. The tribe, with assistance from the Bureau, could then seek a new tenant for the building. The Bureau had already received inquiries from Sequoyah Mills about a possible takeover of the mill operation.

On November 21 the tribe and Bureau officials met with Mr. Lund, vice president, and Mr. Earl, Comptroller, of Hempnill Company, a part of Iroquois Carpet Company, to consider a proposal for the takeover of the mill by Hempmill as soon as satisfactory lease arrangements could be made. Mr. Gottfrei was willing to give up control and let Hempmill engineers come in to make the necessary adjustments needed to redesign the operation and prepare for expansion when the takeover was completed.

The takeover by Hempmill was not in reality a complete takeover of the operation. Hempmill entered into a management agreement with the stockholders of Big Horn rather than an outright acquisition. Under the agreement, Hempmill was to assume full control of the company, paying off existing accounts payable, and having the option of acquiring the firm at any time within three years of the takeover date.

The takeover agreement included provisions for Hempmill to spend considerable money in the revamping of mill equipment to fit their needs and to furnish the necessary working capital. The lease would be modified to allow the takeover of a building formerly used by U.S. Automatics for expansion purposes, and the payment of a percentage of sales would be eliminated. Hempmill would pay $12,000 per month rental fee for all facilities and would also bring up to date all arrears owed by Big Horn, approximately $50,000 as of January 1, 1969. The Bureau's Branch of Real Estate Appraisal estimated the fair market value to be $17,000 and so stated to tribal officials. The tribe agreed to the lesser amount because the firm insisted it could not afford to pay more.

The Bureau officials were somewhat skeptical of the takeover provisions, although it was now apparent that the tribe had to take some action in order to protect their investment. The Hempmill firm was a subsidiary of a major manufacturer and appeared to be serious in their approach to the takeover. Mr. Lund had indicated in an early-December meeting that the firm could only consider the takeover if provisions for expansion were made and the tribe could finance the expansion through other Federal agencies or perhaps accept loans from Hempmill.

The actual takeover of operations by Hempmill occurred early in April 1969, when the firm sent four officials from their home offices in Pennsylvania to assume operational control of the firm. The plant modifications were started at that time, and new training programs were instituted.

The firm moved into a three-shift operation in early March of 1969, although the proposed expansion of facilities did not occur. The firm utilized the services of 45 Indians at this time, and they were receiving OJT funds from the Bureau to help defray the expenses of training the Indian employees. The move by the firm into the production of shag carpeting, which was popular on the West Coast, had made additional training necessary. The firm had reduced the amount of equipment being used by Big Horn but was now producing more yardage and had reduced their rejection rate appreciably.

The expected expansion of the firm started in May of 1969, when the U.S. Automatics building was purchased by Big Horn Mills. (In the takeover, it was elected to retain the name because of location and historical significance of the name.) The building was to be used as a warehouse facility.

The firm started having difficulties in the fall of 1969 when the amount of second-quality carpeting being produced reached a point of about 20 percent of production. The quality control measures introduced progressibly reduced this down to about five percent. The acceptable rate in the industry was said to be about three percent, and the plant officials became very sanguine about the future of the firm but avoided any discussion of plant expansion.

The Bureau was asked for assistance in locating markets for second-quality carpet. Offers were made to sell such carpeting to other Indian tribes at slightly above costs. The Chief of the Bureau's Industrial Development and Tourism Division attempted to aid the firm in selling the carpeting by encouraging other Indian tribes who were building motels, recreation facilities, and community buildings to purchase it.

The company indicated it had 20,000 yards of "pretty good" carpet and 6,000 yards that would have to be "laid with care." Prices varied from $2.43 to $2.77 per yard.

Wallace Laskey, who had assumed the presidency of Big Horn Mills, was very doubtful about the continuation of operations unless losses could be reduced. He made several observations soon after assuming control: (1) The plant could produce some 20,000 yards of carpet per week; (3) however, the rate of absenteeism among the Indian employees was very high, and (3) management was having problems convincing Indians that working is a good way of life.

By April of 1970, the firm was experiencing some real difficulties. Mr. Laskey blamed the tight mortgage money situation for the curtailment of housing starts, which in turn caused a drop in total carpet sales. This situation was causing a general reduction in the number of orders being placed for carpeting produced at the plant. Quality control procedures were still a problem, and the firm had not been able to return the electronic scanner to Sanger nor sell it to some other mill. Big Horn would have liked to install a new scanner of their own choice, but lack of capital precluded taking any action. The factory was now jammed with finished goods and the warehouse with raw materials, and no orders were in sight.

When the company made its first bank payment of $24,444.44 the bank billed the company for an additional $81.51 per month. The original lease agreement placed the interest rate at 8-1/2 percent per annum or one percent above the Chicago prime rate on January 1 of each year, whichever rate was higher. Since the Chicago prime rate was 8/1/2 percent, the bank insisted on a 9-1/2 percent rate of interest.

The Bureau was asked for assistance in getting bank officials to reduce the rate or defer payments until such time as this young company could reach a more stable financial condition.

The financial problems continued to plague the company, and in June 1970 the firm again requested assistance from the Bureau. Mr. Laskey asked that all principal and interest payments be deferred until such time as the firm could get orders large enough to reach a break-even point. The plant only had orders for 30,000 yards, Hempmill had pulled orders from their Southern plants to avoid a layoff or closure; however, this action did not help the profit situation.

Mr. Laskey pointed out that Hempmill had $1,000,000 now invested in the plant and had lost $330,000 during the first year of operation. During the current year, they had suffered an additional $30,000 loss. He said that major problems had been encountered in the training of a labor force and getting the bugs out of equipment. These problems had now been overcome, and the rate of production of seconds had been reduced to one percent, far below industry-accepted standards.

The Bureau assisted in the development of a new schedule of payments for the firm in return for assurances that the firm would continue operations, using Indian employees to the greatest extent possible. The actual financial arrangements are not a matter of public record; however, the Bureau was very much concerned about the economic consequences of a closure. The plant had an Indian payroll that exceeded $5,000 per week with a potential for increase when market conditions improved.

The Bureau had by now invested $112,700 in OJT funds to train Indians in the manufacturing of carpeting, and any effort that could be taken to preserve the business was deemed worthy. The operations continued and in 1971 the Bureau pumped in an additional $20,076 of OJT funds. The Indian employment on December 31, 1971, was reported as 72 with a payroll of $6,400 per week.

The company has always made it a practice to use Indians for all employment possible. The last report shows only eight non-Indians being employed by the firm, with most of these being highly skilled technicians, most of whom are training Indian replacements, or top management officials such as Mr. Laskey. All office personnel, such as, accounting, secretarial, and clerical personnel, are Indian.

Source: Extracted from case file "Big Horn Carpet Mills, Inc., Crow, Montana." Central Files, Division of Economic Development, Bureau of Indian Affairs, Washington, D.C. and the BIA Billings Area Office, Billings, Montana, (as of December 31, 1971).

APPENDIX B-13

GENERAL DYNAMICS CORPORATION

Early in 1967, negotiations between the Navajo Tribal leaders and the General Dynamics Corporation, a major manufacturer of electronic equipment, were started with the assistance of Bureau industrial development specialists from the Washington and Navajo area offices. The firm had need for additional manufacturing facilities, while the tribe had unemployed people who could be trained in the manaufacturing of electronic parts.

The operation of General Dynamics actually started in the summer of 1967 when six General Dynamics Supervisors and 30 local Navajo trainees activated the enterprise in a former food distribution center which had been known locally as the "old Commissary." The training in the Fort Defiance, Arizona, project proceeded under the guidance of General Dynamics personnel. During this training period, the tribal officials were preparing a permanent site for the enterprise.

On November 14, 1967, Raymond Nakai, then tribal chairman of the Navajo Tribe, dedicated a new 26,000 square foot, air-conditioned plant located on a five-acre plot of land in the Fort Defiance industrial park. The building, costing $800,000, was built by the Navajo Tribal Design and Construction Department and was the first major industrial establishment in the Fort Defiance area. The building, constructed with tribal funds, was leased by General Dynamics on a long-term basis from the tribe.

The Bureau provided an initial $260,000 OJT funding for the training of Indians for employment in the newly constructed facility. Prospective employees were given an initial six-week training program, where they were taught soldering, welding, and electronics training. The training was conducted under the auspices of the Arizona Employment Security Commission through the provisions of the Federal Manpower Development and Training Act, and the Concentrated Employment Program. (CEP).

When the trainees completed training meeting General Dynamics requirements, they were given certifications and placed with General Dynamics as on-the-job trainees. The trainee received coaching and instruction in advanced production procedures. Supervisors in the Navajo facility had given instructions while the trainees were actually working on production units making the Indians productive employees even while in training.

The initial 30 Indian employees grew to 224 in December of 1969 (92 percent of the total labor force). Fifteen of these individuals were now working in a supervisory capacity. The employment of Indians has been steady, but the slowdown in the electronics industry has been felt at Fort Defiance as well as elsewhere in the Nation. The employment dropped to 137 in December of 1970, and as of December 31, 1971, only 99 were employed at the plant. However, this was 90 percent of the total labor force.

Because of a heavy turnover in Indian labor during the early phases of operations, the Bureau has steadily poured OJT funds into the firm. In the 3-1/2 years of operation, General Dynamics has received a total of $505,116 in OJT money, approximately $1,000 per man-year of Indian employment. The high of $184,314 in 1970 was reduced by over 50 percent in 1971, dropping to $86,058, or $869 per employee.

Source: Data presented have been extracted from case file, "General Dynamics Corporation, Fort Defiance, Arizona," Central Files, Divison of Economic Development, Bureau of Indian Affairs, Washington, D.C., and the Navajo Area Office, Shiprock, N.M. Data on OJT funds were extracted from the "Annual Statistical Summary," Division of Employment Assistance, BIA, Washington, D.C (as of December 31, 1971).

APPENDIX B-14

BARRON CONTAINER CORPORATION

Early in 1968, negotiations for the leasing of facilities in the newly developed industrial park (established by the Pima Indian Tribe with an EDA grant of $768,000) near Chandler, Arizona, were entered into by Barron Container Corporation with officials of the Pima Indian Tribe's Lone Butte Indian Development Corporation.

Barron Container, a subsidiary of Barron Industries, is a major manufacturer of styrofoam cups, and their primary purpose in establishing a plant in the new industrial park was to have manufacturing facilities near the markets in the Southwest. Being located only 25 miles from Phoenix made the site very attractive.

The company arranged for all the financing of the building facilities by having their lease guaranteed by the SBA. The building was actually financed through an insurance company and cost a total of $600,000 with the actual ownership being assumed by a well-known Scottsdale, Arizona, businessman. The firm applied for and received from the Small Business Administration loan guarantees of $350,000 for light equipment and $350,000 for heavy equipment, which was to be used in the manufacturing process. The loans were made by the United Bank of Phoenix, Arizona, with an SBA 90-percent guarantee.

The leasing operations were not completed until June of 1969 with the building construction being started immediately. The firm became operational in the fall of 1969, immediately employing 27 Indians, 15 of whom were trainees, although no OJT funds were provided by the Bureau.

The firm has expanded the number of Indian employees each year. As of December 31, 1971, the firm was employing 51 Indians (27 percent of the total labor force), most of whom resided on the Pima Reservation, with each averaging $72.00 per week in earnings.

In addition to the personal earnings, the tribe is receiving an annual income from leasing fees. The total income thus received is not available for public release at this time.

Source: Extracted from case file "Barron Container Corp., Pima-Chandler, Arizona." Central Files, Division of Economic Development, Bureau of Indian Affairs, Washington, D.C. and the Bureau Area Office, Phoenix, Arizona.

APPENDIX B-15

WARM SPRINGS ASSEMBLY PLANT

This plant, a different form of reservation type development, came about as a coordinated effort of the the tribal leaders, the Bureau's development specialists, and a very people-oriented firm, Tektronix, Inc., a manufacturer of oscilloscopes located in Beaverton, Oregon.

The initial contact with Tektronix was made by members of the tribe's Land Use and Industrial Development Committee in an attempt to provide year-around employment of women who were for the most part limited to seasonal employment, such as, potato harvesting and packing. The firm was interested in the development of an assembly operation and agreed to pursue the idea if the tribe could provide the facilities for the operation.

The tribe's committee passed a resolution setting up the enterprise and allocated $10,000 of tribal funds to be used to remodel a building which had formerly been used as a tribal rehabilitation center. The physical plant was fitted with the necessary equipment, proper heating, air conditioning, and lighting. The firm became operational early in 1969, although Indians had been in training prior to the official opening of the plant.

Since oscilloscopes are highly sophisticated instruments that plot a graph of electrical events and Tektronix, Inc., is one of the leading manufacturers of these complex devices, the firm emphasizes quality control. Therefore, training was a most important factor in establishing the Warm Springs plant.

The firm provided free training to selected Indian manager nominees and trainers who were used to train other workers at Warm Springs. Ten original trainees, Mr. Everett Miller, plant manager, and two female workers were trained at the Beaverton facility for six weeks, learning the various phases of component assembly.

The Indian women employed at the plant have shown exceptional dexterity and adeptness in the assembly of components. The employment has grown from the initial seven workers to fifteen. Tektronix firm officials have reported the quality of the work is excellent, with deliveries being made on or before schedule.

Tribal leaders are not looking to Tektronix as their sole source of continuing contracts. They are hoping that once the organization shows it has a skilled work force that is dependable, well-trained, well-managed, and has the potential to expand, the firm will be able to attract contracts with other companies.

The firm came into being without the expenditure of Government funds and has provided employment for as many as 15 people--all Indian --for over two years. The plant has been managed by an Indian manager since its inception, and salaries have been based on a $4.50 per standard labor hour, introduced by Tektronix in the original contract, which guaranteed the tribe 400 hours of work per week at $4.50 per standard hour of production or $93,600 of income per year for Indians at no cost to the Government.

Source: Extracted from case file "Warm Springs Assembly Plant, Beaverton, Oregon." Central Files, Division of Economic Development, Bureau of Indian Affairs, Washington, D. C. and BIA Area Office, Phoenix, Arizona.

APPENDIX B-16

PENN-MOR MANUFACTURING CORPORATION

This company is a long-established firm engaged in the manufacture of various articles of wearing apparel in its Tempe, Arizona, plant.

In 1969 the Bureau's industrial development specialist in Phoenix learned that Penn-Mor was purchasing a building owned by the Cottonwood Development Corporation, Cottonwood, Arizona.

The major contribution of the Bureau's Industrial Development Division in the establishment of this as an induced industry appears to have been in acting as a liaison between the company's employment personnel, the Employment Assistance Officer at the Camp Verde Reservation, and the Camp Verde Development Corporation.

No record can be found to indicate that the Bureau and the firm had any contact with the company before it established the plant operation at Camp Verde. However, the company has employed a goodly number of Indians, and on December 31, 1971 was employing 15 Indians; about 17 percent of the total labor force.

Source: Extracted from case file "Penn-More Manufacturing Company, Cottonwood, Arizona." Central Files, Division of Economic Development, Bureau of Indian Affairs, Washington, D. C. and Employment Assistance Records, Camp Verde, Arizona.

APPENDIX B-17

TURTLE MOUNTAIN INDUSTRIES

Turtle Mountain Industries, a tribally owned and operated enterprise, began operations on the Turtle Mountain Reservation, North Dakota, on March 21, 1968. The company occupied a plant that had been operated by Chippewayan Industries before that firm went out of business.

Turtle Mountain Industries was established with the assistance of the Bureau of Indian Affairs' ICDP. The primary function of the firm was to supply, on the basis of contracts with other companies located throughout the country, Indian laborers who would perform sewing, beading, and other finish work on materials provided by the contracting firm.

The materials to be provided would include such items as jackets, skirts, and moccasins. These items would be shipped to the reservation, where the Indian would perform the finishing work and return the finished product to the contracting company.

During the initial planning, there seems to have been no consideration given to the problems that such an activity could encounter. The problems of transportation costs and scheduling were apparently disregarded by both the tribe and the Bureau personnel involved in establishing the firm.

Although the problem of transportation appears to have been a major deterrent to the success of this firm, no consideration seems to have been given to such things as market surveys, feasibility studies, long-term contracts, or capital requirements of the company.

Turtle Mountain Industries operated from March 31, 1968, until about July 15, 1968, never employing more than 12 Indians and one non-Indian. The firm suffered innumerable problems from the moment of opening until closing, one of the first being the occupation of the building used by Chippewayan Industries, which had closed leaving many bad debts in the area. Turtle Mountain Industries was deluged with requests for payment of debts incurred by Chippewayan, even having difficulty getting telephone service because Chippewayan had not paid its bill. Other similar problems were encountered by Turtle Mountain Industries.

The firm did not have an established program for receiving and shipping goods, nor did it have enough contract commitments to allow the firm to operate at a break-even level.

The operation was undercapitalized, having only a $10,000 loan from the Bureau of Indian Affairs revolving fund and $1,000 in working capital provided by a tribal loan.

In closing the doors, the reasons for ceasing operation were listed as:

1. Too small a volume to meet costs.
2. Lack of working capital.
3. Operating as labor contract supply rather than a manufacturing process, restricted opportunities in markets.

The third reason would appear to have been one that could have been overcome. A full exploration of the production capacity available at Turtle Mountain and a market demand analysis might have disclosed a possibility for the firm to operate as a prime producer rather than a labor contractor.

Bureau development specialists seem to have attempted to provide a labor opportunity without fully exploring the feasibility of establishing the firm as a producer of merchandise with an established or estimated market demand.

Source: Extracted from case file "Turtle Mountain Industries, Turtle Mountain, North Dakota." Central File, Division of Economic Development, Bureau of Indian Affairs, Washington, D.C. (as of December 31, 1971).

APPENDIX B-18

FORT BELKNAP BUILDERS[1]

This firm was born in adversity, operated in chaos, and struggled for survival against almost insurmountable difficulties. The full disclosure of this firm's short life is long, complex , and filled with a myriad of problems. However, many of the problems in this disclosure are or have been problems that have been faced by other firms establishing on or near Indian reservations.

Fort Belknap Builders, Inc. (FBBI), a State-chartered, tribally owned corporation was formed to manufacture and construct prefabricated houses at the Fort Belknap Reservation. The Board of Directors of FBBI was made up of eight members of the Indian Community Council and was established with this make-up more as a measure of expediency to get the business into operation rather than on the basis of any business expertise of the members.

In the initial phases of the business establishment, an agreement had been made with Bunko Consultants, Inc., a Montana State-chartered consultant firm, to provide the management expertise needed to manufacture merchandise, and erect homes. In the fall of 1969, Mr. Greg Vender, a former tribal attorney and then employed by the tribe as an OEO-funded development consultant, brought Mr. Jack Denson, whom he had met at an economic development meeting, to the Fort Belknap Community Council to discuss the problems of economic development on the Fort Belknap Reservation.

The council indicated a strong interest in the development of enterprises and industry on the reservation and agreed to have Mr. Denson bring to the reservation any industrialists who might have an interest in locating on the reservation. At a subsequent council meeting, Mr. Vender brought Mr. Denson and Mr. Sam Short of Fine Homes, Inc., to discuss the possibility of establishing some type of home-building plant at Fort Belknap. Mr. Short discussed the opportunities of getting a franchise from Fine Homes, Inc., and using the franchise as a means of starting a home-building industry on the reservation. The council and Mr. Short agreed that Mr. Short should invite Mr. Max Warbler, vice president of Fine Homes, Inc., to the reservation to discuss the franchise possibilities.

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[1] *All firm names and names of individuals other than Fort Belknap Builders are ficticious in order to protect against injury to any innocent individual of firm.*

In late September of 1969, the council instructed Mr. Vender to prepare the forms necessary to form a corporation under the Fort Belknap Indian Community constitution and bylaws and such other documents that might be needed to form FBBI. The council brought the corporation into being on October 6, 1969, with the passing of Resolution 120-69. The corporation was for the purpose of building homes.

During November and December, the council held several meetings with executives of Fine Homes, Inc., and other interested parties to work out agreements and procedures for establishing the industry. At one of the meetings, Mr. Sam Short was accompanied by a Mr. Dan O'Dell, who informed the council that he had a contract with HUD for 200 homes in Florida, 121 homes in Ohio, and several other in Wisconsin. He indicated that he would be willing to contract with FBBI to manufacture these homes if they were organized in the near future. These contracts never materialized in spite of the fact that the Builders were organized within a very short time after this meeting.

In January of 1970, Mr. Max Warbler and Mr. Sam Short of Fine Homes, Inc., met with the community council and negotiated an agreement for the Fine Homes franchise for the State of Montana. The group met with Billings Area Office officials of the Bureau on January 3, 1970, to discuss the various proposals. A general agreement and a management agreement between Fort Belknap Builders and Bunko Consultants, Inc., were discussed. (This was the first time Bureau officials had been consulted on the proposals or given an opportunity to review the agreements and accompanying documents.)

The month of January was filled with a series of meetings between the various parties involved in establishing the business. On January 15, the documents were given to the Fort Belknap Agency for their review and recommendations; on January 17, they were transmitted to the Billings Area Office with suggested changes that would provide additional protection to the Fort Belknap Indian Community.

On January 29, a meeting was held with Messrs. Greg Vender, Sam Short, and Cleve Aspen of Bunko Consultants, Inc.; two members of the Fort Belknap Indian Community; and various members of the Bureau's Agency and Area Office staff to discuss the needed changes in the proposed corporation charter for FBBI and the management agreement. Two changes of importance that were recommended by the Bureau officials were the charter be changed to a State charter and management costs could not exceed 18 percent of the gross receipts of FBBI. Following this meeting, the agreed-upon changes were made in the management contract, and the tribal company was State incorporated.

Members of the community council, and Bunko consultants accompanied by Agency employees, went to Great Falls to negotiate with the First National Bank for the funds necessary to erect a factory building and working capital to start the home-building enterprise. Attempts to obtain financing from the bank in Great Falls were unsuccessful. Mr. Vender and Mr. Short then succeeded in getting the necessary financing from the

First National Bank of Circle, Montana. The Indian council requested approval from the Bureau (this action is required by the charter of the Fort Belknap Indian Community) to borrow $350,000, which was deemed to be sufficient to construct the building and provide initial operating capital. The Bureau provided the bank with a letter of intent to approve such a loan under certain specified conditions.

On April 1, members of Bunko Consultants, the Fort Belknap Indian Community Council, Bureau officials, and Walter Fine of Fine Homes, Inc., met with officials of the First National Bank of Circle, Montana, to negotiate the terms for the loan of funds. The documents were prepared and signed by the president and secretary of the Indian Community Council and personally co-signed by Sam Short, president of Bunko Consultants, Inc., and later by other members of the firm.

The Bureau offered at this time to hire a private investigator to check on the financial and management capabilities of the members of Bunko Consultants, who were purported to be much experienced in the home-building industry. Proof of this capability was not forthcoming, however, with the exception of Mr. Short's connection with Fine Homes, Inc., which itself was not clear. The offer was not accepted, and in the turmoil of organizing the new company and other pressing matters of the time, it was set aside and soon overlooked or forgotten.

Corrections and changes were made over a considerable period of time after this date to finally complete all the documentation needed for this enterprise.

Still in its embryonic stages, the firm faced some serious problems in June 1970 when a disagreement developed among the principals of Bunko Consultants as to who controlled the company. Mr. Vender, secretary of Bunko Consultants, Inc., came to the Fort Belknap Council and informed the chairman that Mr. Short was no longer a member of Bunko Consultants and, therefore, no longer directed any of their activities. Several meetings were held with Mr. Vender, members of the community council, and Bureau officials to discuss Mr. Vender's allegations concerning Mr. Short and his staff as pertained to the operations and management of FBBI.

During this period, several injunctions were obtained by both Mr. Vender and Mr. Short limiting each other's activities in the management of FBBI. A series of meetings were held with both factions and their attorneys in an attempt to ascertain who could actually speak for Bunko Consultants and to determine the best course of action for FBBI and the Indian community to resolve the problems, as they were becoming extremely detrimental to the operations of FBBI.

These activities caused a schism between members of the council, the Fort Belknap Builders, and the Indian community. Suppliers and others who were working with the builders became hesitant to extend credit to them while these court proceedings were in effect. During this same period, Mr. Short requested permission from the tribal chairman to remove the FBBI books from the office. He based his request on a belief that vital information might be removed from the files if left in the office. With Mr. Short having permission to remove books, Mr. Vender attempted to remove files from the office, and a tribal policeman was placed at the office to prevent removal of materials by either party. The Bureau, with the concurrence of the tribal council, impounded the books of the firm to be held until audited.

A member of the Bureau's auditing team, who was at the Agency at the time auditing the community council's books, made an audit of the FBBI books. When the audit was completed, several questionable expenditures had been found, and the Bureau requested the Federal Bureau of Investigation to review the FBBI books to ascertain whether the expenditures had been made fraudulently. (No record of the FBI findings has been found at this time, so no statement can be made as to the status of the questioned expenditures.)

As a result of subsequent actions, Mr. Short and Mr. Vender settled out of court with the agreement that Mr. Short would buy out the Vender interests of Bunko Consultants. Mr. Short then resumed management of operations, which had been being handled by two other members of Bunko Consultants, Inc. All during this period, continual requests had been made by the Board of Directors of FBBI and the Bureau for financial statements and quarterly reports, which by agreement were to be furnished by Bunko. It was reported by Mr. Short that the reports would be forthcoming when the books were brought up to date enough to where a report could be made.

The Superintendent, Fort Belknap Agency, was requested by the community council to visit several home-building firms with a record of success in the manufacturing of homes to ascertain if they would be interested in participating in the management of FBBI in the event Bunko was unable to improve on their management record of the past few months. Two major firms were visited, each indicating a willingness to enter into an agreement with FBBI, and this fact was reported to the council at a meeting in October 1970. The Superintendent recommended that the council and the Board of Directors of FBBI visit the factories and seriously consider entering into an agreement with one of the companies for management services if a satisfactory agreement cound be negotiated.

Several members of the Board of Directors, the production superintendent of FBBI, members of the community council, and a Bureau staff member from the Agency visited one of the firms and discussed a management agreement with officers of that firm; however, no final agreement of arrangements were made. Some of the directors of FBBI were in agreement with changing management, but no aggressive action was taken to follow up on agreement with either company. At this time neither the council, the Board of Directors, or the Agency staff had been able to obtain satisfactory financial statements from Bunko Consultants, and grave questions were arising in everyone's mind as to the financial condition of the company and as to the management of the factory operations and field crews.

In an attempt to relieve some of the problems of the firm, the Bureau entered into a Buy Indian contract with the Indian Community on November 11, 1970. This provided funds for accounting services which could bring the books of the FBBI up to date and provide all parties concerned with a report that would indicate the true financial condition of the firm. The tribe agreed to submit quarterly reports following the completion of the contract to make sure that FBBI was continuing to operate on a financially sound basis.

The contract was to be completed by February 1, 1971; however, the first report was not received from the auditing company until April of 1971. The company was unable to complete the audit prior to that time because of the condition of the FBBI books and prior commitments which had been made by the auditors. The report received was not certified, nor did it give a clear picture of the true financial condition of FBBI.

The next report, as of June 30, 1971, received in the latter part of July, reflected a $350,000 loss as a result of operations to date. The community council now instructed their tribal attorney to contact a law firm noted for its expertise in corporate law to determine whether the contract with Bunko Consultants, Inc., could now be terminated legally.

During much of the spring, Mr. Short had been absent from the Fort Belknap Reservation for the express purpose of negotiating with HUD in Denver to obtain house building contracts for FBBI. However, Mr. Short reported to the Board of Directors and the community council that he had been working with several other Indian organizations to establish a consortium of Indian enterprises to enhance the possibilities of having Indian groups working together in all types of industry for the benefit of all concerned. The consortium was to be called Indian Industries. However, the tribal attorney of the Fort Belknap Community Council indicated that he was concerned that Indian Industries might well not be as represented and the FBBI was undoubtedly providing the money for its operation, if in reality it was operating.

Mr. Short led the tribal officials to believe that FBBI would have the opportunity to build panels which would be used in the construction of 240 homes being built on the Cheyenne River Reservation. He further indicated that FBBI would be given the contract to perform the electrical and plumbing installation in these homes. The contracts never materialized, nor did Mr. Short obtain any other contracts during his Denver visit. (It is very possible that FBBI actually paid at least a part of the expenses incurred by Mr. Short while he was in Denver.) However, the Fort Belknap Community Housing Authority entered into an agreement with FBBI to construct 20 Turn-Key Mutual Help homes and expected to be able to offer an additional contract for 60 homes to be constructed at Fort Belknap as soon as leases, rights-of-way, and other legal releases were obtained. This had not yet been accomplished at the end of the year.

Late in October the tribal council was advised by the legal firm hired to investigate the possibility of terminating the Bunko contract that such a termination was possible, and the tribal attorney took steps to terminate the contract. Mr. Short was requested to resign from his positon as manager of FBBI and subsequently he did so. The council then appointed two tribal employees to assume the management responsibilities for FBBI.

The president of the First National Bank of Circle, Montana, sent a bank employee to Fort Belknap to represent the bank's interest in the firm. It was suggested that the bank employee be placed on the payroll of FBBI until such time as a financial plan could be formulated, placed into effect, and working satisfactorily. The plan was to include a system of payments to the bank which would allow a retirement of the obligation over a period of time.

The problems of the firm continued to mount when the Internal Revenue Service contacted them requesting a suspension of operations until such time as it could be determined what the status was of the employee's deductions for income tax and social security. This temporary suspension of operations made it necessary for the FBBI to hire a subcontractor to complete the manufacture and erection of the 20 homes which had been contracted for under the Turn-key Mutual Help project. It was anticipated that there would be sufficient profit from this operation to allow a retirement of some of the obligations the FBBI had to the bank.

The community council and Bureau officials contacted Mid-America Homes, Inc., to see if some arrangements could be made for Mid-America to provide management consulting services to the firm. Mr. Richard Buck and Mr. Oliver Hemmingway of Mid-America Homes held two meetings with the Board of Directors of FBBI to discuss the possibilities of providing some type of management assistance to the Builders. It was felt by all parties concerned that there was a sufficient Government market to keep FBBI operational until they could develop an off-reservation market. The Builders had high hopes for getting contracts for 100 homes through HUD. Information indicated that HUD was favorable toward their application and would probably approve the contract early in 1972. The Builders had also made initial contacts for the buildings of an additional number of homes in the nearby communities of Harlem and Havre.

These Federal housing programs would provide the Builders with sufficient operational income to retire some of their indebtedness and keep them operational while a full-scale effort was being made to develop sales and production quotas in the outside market place. The total debt was notknown at this time; however, it was believed that further audits which were being done would reveal the firm to be about $400,000 in debt at the completion of the 50-unit low-rent housing contract.

234

The Builders were still operational on December 31, 1971, and the management now was made up of tribal personnel, assisted by bank and Bureau people, until such time as the firm could either hire a qualified manager or enter into a management agreement with an existing firm.

A review of this firm's short history reveals several cogent facts that seem to appear often in the study of reservation development. These appear here in summary form.

Fort Belknap Builders, Inc., was the first major industry to be established on the reservation. It employed approximately 50 Indian people from the time of its inception to date and gave them an opportunity to earn their living rather than receiving doles through a welfare program. The petty crime rate was reported as dropping markedly since the inception of the business.

The Indian community was approached by a group of individuals unknown to them and asked to enter into an agreement to manufacture homes. The group was purported to be experts in the home-building industry, operating as franchise builders for a major Southwestern corporation. Executives from the corporation were brought into verify this connection. Alleged buyers were brought in to make verbal agreements to purchase the products of the Builders once they became operational, thus making it appear to be a sure-fire profit-making business. These verbal agreements never materialized, although the firm was established.

Once the business venture obtained financing and became operational, the firm appeared to be operating normally and pretty much in the manner of most firms during a start-up period. The internal conflicts of the consultants threw out all normal operations and procedures, and it became impossible to tell what the status of the firm was.

The bookkeeping operations were haphazard at best, with the books never being up to date. Too many people were authorized to obligate funds for the company, and too many unusual expenses were incurred during the start-up period. The construction of the buildings was not properly supervised, and undue delays in production resulted, thus incurring further unanticipated costs.

Although the Indian community had no attorney representing them a major part of this time and the Board of Directors and the community council had no members with expertise in the home-building industry or business training, the Bureau attempted to alleviate many of the problems that arose before the fact.

The Bureau attempted to provide some safeguards in the corporation documents, management consultant agreements, and financial arrangements. Alternatives of action were provided to the Indian community and to the Board of Directors of FBBI.

The Bureau provided assistance to the firm by making periodic checks in the form of audits and on-site inspections of the operations when it appeared that the firm's direction was contrary to good business practices. The results of these audits and inspections were made available to the Indian community to be used in directing the activities of their firm.

The Bureau's industrial development specialists continue to assist the firm and have determined that most of the expenditures were not illegal but rather a result of poor management decisions. This, coupled with poor management of the production process, resulted in a poor financial condition, which compounded the problems.

The firm has continued to operate and with the assistance of the Bureau may become a very successful tribal enterprise.

Source: Extracted from case file "Fort Belknap Builders, Inc., Fort Belknap, Montana." Central File, Division of Economic Development, Bureau of Indian Affairs, Washington, D. C. and BIA Area Office, Billings, Montana (as of December 31, 1971).

APPENDIX C

INDIAN INDUSTRIAL DEVELOPMENT PROGRAM
SUMMARY OF PLANT CLOSINGS

APPENDIX C

INDIAN INDUSTRIAL DEVELOPMENT PROGRAM

SUMMARY OF PLAN CLOSINGS

Company Name and Product or Service	Nearest Reservation	Date		Reason for Closing	Employment Before Closing	
		Established	Closed		Total	Indian
Lear Navajo, Inc. Electronic companents	Navajo (Ariz.)	11/56	1957	Depressed Market Branch operation closed by home office.	22	20
Arizona Building Components Wood	Yavapai	8/60	1966	Inexperienced management; bankrupt	2	2
Plum Creek Lumber Co. Charcoal briquettes	Flathead	1960	1963	Lack of developed market; inexperienced management.	5	5
Harn Corporation Soft goods	Standing Rock	1960	1965	Inattention by management. Claimed uneconomic freight rates.	23	17
Schultz, William, Corp. Pre-fab houses	Umatilla	2/59	1965	Closed down intermittently during this period. Markets did not develop. Inexperienced management.	7	1
Mercer Industries Archery supplies	Lac du Flambeau	5/58	1962	Inexperienced management. Embezzlement by former manager.	5	-

Company Name and Product or Service	Reservation	Date Established	Date Closed	Reason for Closing	Employment Total	Employment Indian
Dakota Wood Products Laths and other wood products	Turtle Mountain	1961	1963	Merged with another company out of the reservation area.	15	10
Edmonds & Sons Machined metal products	Red Lake	7/62	1964	Bankrupt. Lack of experienced management Uneconomic bid on U.S. Army Ordnance contract.	20	8
Turtle Mountain Steel & Supply Steel fabrications	Turtle Mountain	10/62	1964	Lack of markets. Inexperienced management; voluntary bankruptcy.	12	9
Standard Design Contract engineering	Winnebago	6/63	1964	Undercapitalized; defaulted on U.S. Army Ordnance contract.	10	10
Manderson Tent Co. (tribal enterprise) Tents	Pine Ridge	6/63	1964	Inexperienced management Lack of product and market development	8	8
Golden Eagle Arts and Crafts (tribal enterprise Children's play teepees)	Omaha	3/64	1966	Closed intermittently during this period. Lack of product and market development; inexperienced management.	4	4

Company Name and Product or Service	Nearest Reservation	Date Established	Date Closed	Reason for Closing	Employment Before Closing Total	Employment Before Closing Indian
Junior Things, Inc. Ladies' garments	Fort Hall	4/65	1966	Lack of experienced management. Personnel problems--unable to meet economic production scheduled.	29	26
Jicarilla Buckskin & Leather Indian arts and crafts	Jicarilla	5/64	1965	Inexperienced management.	14	14
Kaiser Aluminum and Chemical Aluminum culverts	Navajo (New Mexico)	5/64	1965	Depressed market. Branch operation closed by home office	7	5
Onamia Manufacturing Co. Sheet metal fabrication	Mille Lacs	3/64	1965	Undercapitalized	18	2
Parker Textile Co. Textile	Colorado River	4/64	1964	Undercapitalized; inexperienced management; defaulted on ARA loan.	40	1
Venride, Inc. Mechanical rides for children	Fort Berthold	5/64	1965	Lack of developed markets inattentive and inexperienced management	3	3
Advanced Dakota Products Smoked fish	Fort Berthold	4/66	1967	Lack of developed markets; inexperienced management.	19	12

Company Name and Product or Service	Nearest Reservation	Date Established	Date Closed	Reason for Closing	Employment before Closing Total	Employment before Closing Indian
Riverside Services, Inc. Commerical laundry	Upper Siuox, Minnesota	3/66	1967	Inexperienced Management undercapitalized	7	4
Seminole Design Indian novelties	Brighton, Florida	1/66	1968	Insufficient tourist demand.	9	9
Habitant Shops, Inc. Cedar fence products	Red Lake, Minnesota	10/64	1968	See Footnote (a)	38	35
Onamia Garment mfg. Sports garments	Mille Lacs, Minnesota	2/64	1968	See footnote (a)	41	15
Sutherland Corp. Contract sewing	Lower Sioux Minnesota	10/65	1968	Transportation costs made operation economically unfeasible.	8	5
Chalomar, Inc. Electronic components	Lower Brule South Dakota	6/65	1969	As subsidiary of Calif. firm, was closed when new management of parent firm reduced production requiring parts.	7	6
*Diversified Art Litho-print reproduction	Rosebud, South Dakota	7/67	1969	Failed to ever become operational as a business.	3	3
Electro Technical Ed. Corp. Electronic equip. assy.	Yankton, South Dakota	4/65	1969	Sold assets to Nu-Tron Electronics, which suspended operations when military market declined.	13	12

Company Name and Product or Service	Nearest Reservation	Date Established	Date Closed	Reason for Closing	Employment before Closing Total	Employment before Closing Indian
Wright-McGill Co. Snelled fish hooks	Pine Ridge, South Dakota	3/61	1968	Japanese imports created competition that forced closure.	50	50
Rosebud Housing "Sioux 400" homes	Rosebud, South Dakota	12/66	1968	Tribe formed corporation to produce 400 homes. Upon completion, firm disbanded.	81	62
*Cape Flattery Co. Manufacture of fish meal	Makah, Washington	10/67	1970	Never became fully operational due to lack of financing and closed permanently before producing.	4	2
Onmi-Lab, Inc. Electronic parts	Lac Courte Oreilles, Wisconsin	5/66	1969	Markets for electronic parts dried up, forcing closure	50	25
*Douglas Lomason Auto seat frames	Pine Ridge, South Dakota	11/69	1970	See footnote (b)	81	8
*Harlan Metals Co. Copper ore processing	Papago,	7/68	1969	Never became operational	10	-
Nu-Pack Corporation Plastic shipping containers	Gila River, Arizona	12/68	1970	Management changes of the parent firm led to suspension of contract, and plant was closed.	150	55

Company Name and Product or Service	Reservation	Date		Reason for Closing	Employment before Closing	
		Established	Closed		Total	Indian
Prest-Wheel of Arizona Aluminum lawn furniture	Colorado River, Arizona	3/68	1970	Merged with another firm. Parent firm closed operations but retained building and lease (see footnote (c))	82	74
*Safford Mfg. Company Women's apparel warehousing	San Carlos Arizona	3/63	1970	Never became operational as a manafacturing facility; operated as warehouse until closed.	15	1
Levi Strauss & Co. Wearing apparel	Gila River Arizona	5/68	1970	New management team diversified production facilities to serve Eastern markets, closing several Western plants.	70	15
*U.S. Modules, Ind. Prefabricated homes	Gila River, Arizona	5/68	--	Never become operational	-	-
Western Wood Products--Arizona Log homes	Fort Apache, Arizona	5/67	1969	Became Leisure Homes in 1970.	7	1
Crazy Head Post & Pole Co. Fence posts	No. Cheyenne, Montana	3/69	1970	High employee turnover and absenteeism, and inadequate working capital. Reopened as Morning Star Company, seasonal operation, with new management.	4	4

Company Name and Product or Service	Nearest Reservation	Date Established	Date Closed	Reason for Closing	Employment before Closing Total	Employment before Closing Indian
Upholstery House, Inc. Canvas products	No. Cheyenne, Montana	5/69	1970	Established to perform Department of Defense contracts. Non-Indian management installed leased equipment apparently using location to qualify for Government aid benefits. Suspension of contracts led to closure.	34	33
Amercian Aspen Products Wood core	Santo Domingo New Mexico	5/67	1970	Declining market demand, strong competition, and management disinterest in continuing operations; bankruptcy.	89	86
C & S Packing Company Food processing	Isleta, New Mexico	5/64	1969	Lack of raw products within reasonable distance, and managerial problems. (Tribe and Bureau are currently negotiating for reopening.)	30	26
Cascade Western Outerwear clothing	Yakima Washington	2/68	1969	See footnote (a).	64	9

Closing Name and Product or Service	Reservation	Date		Reason for Closing	Employment before Closing	
		Established	Closed		Total	Indian
*Mohican Enterprises Fiberglass components	Stockbridge, Wisconsin	10/69	-	Never became operational; currently carried as temporarily closed.	-	-
*Hi-Country Mfg. Co. Truck campers	Wind River, Wyoming	10/68	-	Never hired Indians and was dropped from reports in December 1969.	-	-
White Swan Industries Furniture	Yakima, Washington	10/66	1970	Firm underwent change in ownership, and new owners initially suspended operations because of "problems of alcoholism with employees," then closed permanently when other plants of the owners encountered financial problems. (Tribe and Bureau now attempting to get plant back into operation.)	230	212
Leisure Homes Log homes	Fort Apache, Arizona	1/70	1971	No longer carried as operational in Central Office files; reportedly operating as seasonal and contract demand firm.	18	4
Chief Mountain Lumber Co. Lumber	Blackfeet, Montana	11/63	1970	Sold out to U.S. Plywood Corporation. Some seasonal work being performed.	40	36

Closing Name and Product or Service	Reservation	Date		Reason for Closing	Employment before Closing	
		Established	Closed		Total	Indian
*J. L. Antonucci Mobile homes	Brighton, Florida	10/68	-	Never became operational.	-	-
Glacier Homes Pre-fab homes	Blackfeet, Montana	7/68	1970	Failed to get approval for additional HUD orders.	4	4
*Printers & Publishers, Inc. Commercial printing	Rosebud, South Dakota	4/70	1970	Failed to become operational.	-	-
Iron Nation Corporation Textile fabrication	Lower Brule, South Dakota	11/69	1971	Formed as joint partnership with Raven Industries to get contract under SBA (8) program. When contract was terminated by SBA, firm closed.	28	27

*These firms appear on Central Office file records as industries established with assistance of ICDP. However, in many cases they were either not induced with Bureau assistance or failed to become operational entities. They have been included in Bureau statistics reporting the number of industries established by ICDP.

(a)No information can be found which would make it possible to ascertain reasons for closure.

(b)This firm was actually established by the Nebraska Public Power Commission. No records can be found to indicate that the Bureau had any direct involvement in its establishment other than some assistance to Indian employees.

(c)The parent firm of Prest-Wheel of Arizona is currently working with tribal leaders and Bureau representives to establish a new industry in the building.

Source: Compiled by the author using data contained in congressional hearings; case histories of firms maintained in Central Files, Division of Economic Development, Bureau of Indian Affairs, Washington, D.C.; and from personal and telephone interviews with field representatives of the Bureau.

APPENDIX D

SUMMARY OF RESPONSES

INDUSTRIAL DEVELOPMENT QUESTIONNAIRE

AND

EMPLOYEE QUESTIONNAIRE

APPENDIX D

SUMMARY OF RESPONSES

INDUSTRIAL DEVELOPMENT QUESTIONNAIRE

(30 MAILED)

1. In establishing an industry on the reservation, is initial contact with industry made:

A. By the Bureau of Indian Affairs
B. By the tribe
C. By the BIA and the tribe
D. Other States & Industry

Responses 22 A. 4 B. 2 C. 12 D. 4

2. Are industrial enterprises located on your reservation financed with:

A. Federal funds
B. Tribal funds
C. Commercial loans
D. A combination of these

Responses 22 A. 2 B. 6 C. 2 D. 12

3. Is the ownership of industrial endeavors located on your reservation primarily:

A. Tribal
B. Individual Indian
C. Non-Indian
D. Other (Joint Ownership)
Please indicate

Responses 22 A. 11 B. 1 C. 9 D. 1

THE FOLLOWING QUESTIONS RELATE TO EMPLOYMENT PATTERNS AND PRACTICES IN INDUSTRIAL AND COMMERCIAL DEVELOPMENTS LOCATED ON YOUR RESERVATION. IF MORE THAN ONE SUCH ENDEAVOR HAS BEEN ESTABLISHED WITH THE ASSISTANCE OF THE BUREAU OF INDIAN AFFAIRS' INDUSTRIAL DEVELOPMENT PROGRAM, PLEASE COMPLETE A QUESTIONNAIRE FOR EACH SUCH ENTERPRISE.

____
Name of Firm

4. Of the total employeemnt in this firm, what percentage is Indian:

A. 85% or over
B. 50% - 84%
C. 25% - 49%
D. Less than 25%

Responses 21 A. 14 B. 3 C. 1 D. 3

5. Are Indian employees provided with special training during initial phases of employment? Yes____ No____

Responses 21 Yes 18 No 3

A. If yes, is the hourly wage:
(1) Partially paid with on-the-job training funds (OJT)
(2) All OJT funds
(3) All employer funds
(4) Other federal programs

Responses 20 1. 13 2. 1 3. 4 4. 2

B. If no, is it because:
(1) No training necessary
(2) No training funds provided
(3) Employees have prior experience

Responses 2 1. 1 2. ____ 3. 1

6. Are Indians employed here only as hourly wage employees?

Responses 22 Yes 6 No 16

A. If no, are Indian also employed as:
(1) Line supervisors
(2) Clerical personnel
(3) Managers

Responses 43 1. 15 2. 10 3. 18

7. Are the hourly wages paid to Indians:
A. Less than $1.65
B. $1.65 - $2.09
C. $2.10 - $3.10
D. $3.10

Responses 21 A. - B. 12 C. 10 D. 4

8. What percentage of the total reservation labor force is employed in this firm?
A. Less than 10%
B. 10% - 20%
C. 21% - 40%
D. 41% - 60%
E. Over 60%

Responses 19 A. 13 B. 4 C. 2 D. - E. -

9. Have additional service type enterprises started on the reservation as a result of the employment opportunities in this firm: Yes____ No____

Responses 16 Yes 3 No 13

A. If yes, are these:

(1) Groceries
(2) Service stations
(3) Recreational facilities
(4) Other (Day care center, Dry cleaners, etc.)

1. 5 2. ___ 3. ___ 4. ___

B. If no, are plans being made to open new business?
Yes 16 No 1

10. Are plans being made to increase the number of industrial and commercial enterprises on the reservation?
Yes 14 No 2

11. In your own words, state your opinion as to the need for, and value of, developing business enterprises on reservations and the value of the Bureau of Indian Affairs program for such

(See text for several comments)

SUMMARY OF RESPONSES
EMPLOYEE QUESTIONNAIRE
(200 MAILED)

1. Are you currently employed in a plant or facility established on the reservation with aid from the Bureau of Indian Affairs:

Yes____ No____

Responses 53 Yes 29 No 23

A. If yes, are you:
(1) a full-time employee____
(2) a part-time employee____

Responses 29 1 29 2 -

B. If no, have you been employed in such a firm in the past?

Yes____ No____

Responses 23 Yes 23 No -

2. If you are not currently employed full time are you actively seeking employment:

A. On the reservation
B. Off the reservation
C. Both on and off the reservation

Responses 11 A. 4 B. 7 C. -

3. If you are currently employed full time in a firm established with Bureau of Indian Affairs assistance, are you

A. Salaried employee
B. Hourly wage employee
C. Trainee

Responses 29 A. 11 B. 17 C. 1

4. If you are a salaried employee,

A. An office worker
B. A manager
C. A foreman

Responses 11 A. 5 B. 1 C. 5

5. If you are a salaried employee, is your annual salary:

A. Under $5,000
B. $5,000 - $5,999
C. $6,000 - $6,999
D. Over $7,000

Resonses 11 A. 3 B. 3 C. 5 D. -

6. If you are an hourly wage employee, is your wage per hour:

A. Under $1.60
B. $1.60 - $2.59
C. $2.60 - $3.50
D. Over $3.50

Responses 18 A. 1 B. 12 C. 4 D. 1

7. If you are a trainee, is your hourly wage:

A. Under $1.60
B. $1.60 - $2.10
C. Over $2.10

Responses 38 A. 31 B. 5 C. 2

8. Were you employed full time prior to entering your current position: Yes____ No____

Responses 38 Yes 17 No 21

A. If yes, was this employment:

(1) On reservation
(2) Off reservation, in same State
(3) Off reservation, in another State

Responses 17 (1) 12 (2) 5 (3) -

9. If you were not employed, were you receiving welfare assistance from:

A. Tribal assistance
B. State agency
C. Federal assistance
D. Other

Responses 19 A. 5 B. 12 C. 1 D. 1

10. Are your current earnings spent mostly:

A. On reservation
B. Off reservation

Responses 29 A. 7 B. 22

11. If off reservation, is this caused bv:

A. Lack of stores on reservation
B. Lack of services on reservation
C. Both of Above
D. Prefer shopping off reservation

Responses 23 A. 8 B. 11 C. 4 D. -

12. Were you employed originally as a:

A. Trainee
B. Full-time employee
C. Other____________________
Indicate clerk, truck
driver, etc.

Responses 52 A. 18 B. 25 C. 9 Clerks and managers

13. Was this your first full-time, on-reservation employment experience? Yes____ No____

Responses 52 Yes 31 No 21

A. If no, was your other employment:

(1) In agriculture or ranching
(2) In lumbering
(3) In construction
(4) Other

Responses 21 1. 3 2. 6 3. 5 4. 7

B. Was this employment provided by:

(1) Tribal government or State government
(2) Federal Government
(3) Indian business
(4) Other

Responses 21 1. 3 2. 4 3. 7 4. 7

14. If you are no longer with the firm, did you leave because of:

A. Poor wages
B. Poor working conditions
C. Lack of promotion opportunity
D. Other____________________
Please indicate

Responses 23 A. 1 B. 3 C. 4 D. 15

15. Did your work experience better prepare you for future employment? Yes____ No____

Responses 40 Yes 36 No 4

16. Would you accept employment in a similar line of work if it were available on the reservation?
Yes____ No____

Responses 48 Yes 36 No 12

A. If no, is it because of:

(1) The type industry
(2) Wages
(3) Other______________________
Indicate

1.__6__ 2.__6__ 3.__-__

17. Would you return to the firm if there was an opportunity?
Yes____ No____

Responses 45 Yes 44 No 2

19. Would you prefer to work and live on the reservation?
Yes____ No____

Responses 46 Yes 44 No 2

20. Name of firm in which presently employed or were employed:

Screening and identification question

263

APPENDIX E

MAN-YEARS OF EMPLOYMENT

(NET INCREASES)

(1965-1971)

APPENDIX E

MAN-YEARS OF EMPLOYMENT
(NET INCREASES)
(1965-1971)

Year	Non-Indian	Indian	Accumulative Indian Total
1963			846
1964	8	37	883
1965	436	430	1,313
1966	818	910	2,223
1967	626	516	2,739
1968	406	443	3,182
1969	662	1,114	4,296
1970	1,062	128	4,424
1971	718	234	4,658

Source: Compiled from data in unpublished B.I.A. reports of "Industrial and Commercial Enterprises Established on or near Reservations."

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INDEX

Authors and Subjects

PAGE

Aberle, Sophie D. 3, 31, 32, 37, 52, 97
Abrahamson, John................ 61, 77
Act Of Congress
  March 3, 1819................. 14
  July 9, 1832.................. 14
  June 30, 1834................. 14
  March 3, 1849................. 15
  July 15, 1870................. 15
  February 8, 1887.............. 19
  November 2, 1921.............. 21
  June 18, 1934................. 23
Adult Vocational Programs....... 38, 47
Ahkeah, Sam..................... 27
Allotment Act................... 19, 20,
  also called Dawes Act......... 23
Amphenol Corporation............ 180, 181
Area Redevelopment Act.......... 46, 56
Area Redevelopment Program...... 47
Barrow Container Corporation.... 84, 198, 199
Big Horn Carpet Mills........... 63, 82, 83, 188-195
Brophy, William A. 3, 31, 32, 37, 52, 77
Bulova Watch Company............ 66
Bureau Organization............. 48-50
Bureau of Indian Affairs........ 4, 6, 8
Burnell and Company Inc. 72-73
Census Report................... 4
Chata Construction Enterprises.. 87, 184-187
Choctaw Tribe................... 87
Closure Rate.................... 89-90
Commissioner of Indian Affairs.. 14, 15, 16, 21, 24, 25
Comptroller General............. 31, 34
Conger, Louis................... 37
Department of Interior.......... 4
Economic Development
  Administration................ 51, 57-58
Economic Development............ 36, 50, 61
Employment Programs............. 37
Evans, G. Gordon................ 41, 50
Fairchild Seminconductor
  Division...................... 74, 174-176
Five Steel Lumber Co. 74, 174-176
Force Accounts.................. 42, 47
Fort Belknap Builders, Inc. 86-87, 204-211
Fort Peck Tribal Industries..... 85-86, 114-115, 183

PAGE

Fund For The Republic.......... 33
General Dynamics Corporation... 80, 196-198
Hoover Commission.............. 28
Hough, Henry W. 3, 38, 77
Hubley, George................. 8, 81
Income
  Business Operations.......... 129-131
  Individual................... 125-126, 131-135
  Reservation.................. 125-127
  Tribal....................... 127-130
Indian Affairs Manual.......... 5
Indian Business Development
  Fund......................... 60
Indian Communities............. 35
Indian Resources Development
  Act.......................... 160-163
Indian Record.................. 6
Indian Reorganization Act
  Referred as I.R.A. 23
Indian Trade................... 13
Industrial Development......... 35, 43
Industrial Plants.............. 5
Industrial Programs............ 1, 47
Iowa Meat Products, Inc. 177
Keeler, William W. 5, 34. 43
Kinney, J.P. 15, 21
Lakota Products, Inc. 115
Leasing........................ 17
Managers, Indian............... 116-117
Menominee Indians.............. 33
Mescalero Reservation.......... 25
Meriam, Lewis.................. 20
Meriam Report.................. 22, 26
Morris, Robert................. 41
Murray, James M. 52, 75, 77
McDonald, Peter................ 7
McGarvey, Patrick J. 65
Navajo-Hopi Rehabilitation Act. 27, 29, 27
Nakai, Raymond................. 7
Navajo Yearbook................ 27, 31
Nixon, Richard M.
  President.................... 6
Office of Economic Opportunity. 56
Omni-Lab Inc. 80, 182
Parker Textile Co. 51, 71-72, 76
Penn-Mor Manufacturing
  Corporation.................. 84, 201
Prest-Wheel Inc. 51, 72

PAGE

Privately Owned Facilities...... 84-86
Public Laws
  390 (1950).................... 29
  474 (1947).................... 29, 31
Public Works.................... 41, 47
Questionnaire
  Analysis...................... 88
  Development................... 69-71
  Summary....................... 229
  Use........................... 69-71
Relocation...................... 40, 41
Reservations.................... 1, 4, 7
  Income........................ 124-127
  Population.................... 121
Revolving Loan Funds............ 24, 54
Schmeckebier, Laurence F. 15, 18
Schneider, Larry................ 63
Schoolcraft, Henry R. 14
Secretary of Interior........... 19, 20, 24, 25
Self-Determination.............. 58-60
Snyder Act...................... 20
Sorkin, Alan L. 54, 96
Stanton, Clark.................. 62
Suntex Veneel Corporation....... 79, 178-179
Termination..................... 32, 33
Training........................ 115-116
Tribal Affairs
  Culture....................... 64
  Business Ownership............ 85-88
  Governments................... 64
  Religion...................... 64-65
  Social Attitudes.............. 65
Turtle Mountain Industries...... 85, 202-203
Turtle Mountain Steel and
  Supply Company................ 72
Taylor, Theordore W. 20, 21
Udall, Stewart W. 6
Warm Springs Assembly Plant..... 87, 199-200
Welfare......................... 118-120, 140-142
Wright-McGibb Company........... 73-74, 170-173
Young, Robert W. 27, 140